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# Uniform System of Accounts and Reports for Certificated Route Air Carriers

# Title 14—AERONAUTICS AND SPACE

## Chapter II—Civil Aeronautics Board

[Regulation No. ER-327]

## PART 241—UNIFORM SYSTEM OF ACCOUNTS AND REPORTS FOR CERTIFICATED ROUTE AIR CARRIERS

### Reissuance

Part 241 of the Economic Regulations, Uniform System of Accounts and Reports for Certificated Air Carriers, was reissued in revised form on April 30, 1956, effective January 1, 1957. Since then, 21 amendments to Part 241 have been adopted of which 20 are still in effect. Some of these amendments were quite comprehensive. It therefore appears to the Board that Part 241 should be reissued at this time with all amendments incorporated in the text. A more detailed "Table of Contents" and a definition of the term "certificated route air carrier" have been made.

Incorporation of the outstanding amendments into the text of the regulation does not effectuate any substantive change therein. The Board therefore finds that Part 241 may be reissued as set forth below without notice or procedure thereon, and may be made effective less than 30 days after publication.

In consideration of the foregoing, the Civil Aeronautics Board hereby reissues Part 241 of the Economic Regulations (14 CFR Part 241) effective June 1, 1961, as set forth below.

(Sec. 204(a), 72 Stat. 743, 49 U.S.C. 1324. Interpret or apply sec. 407, 72 Stat. 766, 49 U.S.C. 1377)

By the Civil Aeronautics Board.

[SEAL] JAMES L. DEEGAN,
*Acting Secretary.*

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## Section 01—Authority Under Which Accounting and Reporting Rules and Regulations are Prescribed and Administered

This Uniform System of Accounts and Reports for Certificated Route Air Carriers is issued, prescribed and administered under the following provisions of the Federal Aviation Act of 1958, as amended (72 Stat. 731, 49 U.S.C. 1301):

GENERAL POWERS

SEC. 204. (a) The Board is empowered to perform such acts, to conduct such investigations, to issue and amend such orders, and to make and amend such general or special rules, regulations, and procedure, pursuant to and consistent with the provisions of this Act, as it shall deem necessary to carry out the provisions of, and to exercise and perform its powers and duties under, this Act.

FILING OF REPORTS

SEC. 407. (a) The Board is empowered to require annual, monthly, periodical, and special reports from any air carrier; to prescribe the manner and form in which such reports shall be made; and to require from any air carrier specific answers to all questions upon which the Board may deem information to be necessary. Such reports shall be under oath whenever the Board so requires. The Board may also require any air carrier to file with it a true copy of each or any contract, agreement, understanding, or arrangement, between such air carrier and any other carrier or person, in relation to any traffic affected by the provisions of this Act.

DISCLOSURE OF STOCK OWNERSHIP

SEC. 407. (b) Each air carrier shall submit annually, and at such other times as the Board shall require, a list showing the names of each of its stockholders or members holding more than 5 per centum of the entire capital stock or capital, as the case may be, of such air carrier, together with the name of any person for whose account, if other than the holder, such stock is held; and a report setting forth a description of the shares of stock, or other interest, held by such air carrier, or for its account, in persons other than itself.

FORM OF ACCOUNTS

SEC. 407. (d) The Board shall prescribe the forms of any and all accounts, records, and memoranda to be kept by air carriers, including the accounts, records, and memoranda of the movement of traffic, as well as of the receipts and expenditures of money, and the length of time such accounts, records, and memoranda shall be preserved; and it shall be unlawful for air carriers to keep any accounts, records, or memoranda other than those prescribed or approved by the Board: *Provided*, That any air carrier may keep additional accounts, records, or memoranda if they do not impair the integrity of the accounts, records, or memoranda prescribed or approved by the Board and do not constitute an undue financial burden on such air carrier.

INSPECTION OF ACCOUNTS AND PROPERTY

SEC. 407. (e) The Board shall at all times have access to all lands, buildings, and equipment of any carrier and to all accounts, records, and memoranda, including all documents, papers, and correspondence, now or hereafter existing, and kept or required to be kept by air carriers; and it may employ special agents or auditors, who shall have authority under the orders of the Board to inspect and examine any and all such lands, buildings, equipment, accounts, records, and memoranda. The provisions of this section shall apply, to the extent found by the Board to be reasonably necessary for the administration of this Act, to persons having control over any air carrier, or affiliated with any air carrier within the meaning of section 5(8) of the Interstate Commerce Act, as amended.

CLASSIFICATION

SEC. 416. (a) The Board may from time to time establish such just and reasonable classifications or groups of air carriers for the purposes of this title as the nature of the services performed by such air carriers shall require; and such just and reasonable rules and regulations, pursuant to and consistent with the provisions of this title, to be observed by each such class or group, as the Board finds necessary in the public interest.

FAILURE TO FILE REPORTS; FALSIFICATION OF RECORDS

SEC. 902. (e) Any air carrier, or any officer, agent, employee, or representative thereof, who shall, knowingly and willfully, fail or refuse to make a report to the Board or Administrator as required by this Act, or to keep or preserve accounts, records, and memoranda in the form and manner prescribed or approved by the Board or Administrator, or shall, knowingly and willfully, falsify, mutilate, or alter any such report, account, record, or memorandum, or shall knowingly and willfully file any false report, account, record, or memorandum, shall be deemed guilty of a misdemeanor and, upon conviction thereof, be subject for each offense to a fine of not less than $100 and not more than $5,000.

REFUSAL TO TESTIFY

SEC. 902. (g) Any person who shall neglect or refuse to attend and testify, or to answer any lawful inquiry, or to produce books, papers, or documents, if in his power to do so, in obedience to the subpena or lawful requirement of the Board or Administrator, shall be guilty of a misdemeanor and, upon conviction thereof, shall be subject to a fine of not less than $100 nor more than $5,000, or imprisonment for not more than one year, or both.

FILING OF COMPLAINTS AUTHORIZED

SEC. 1002. (a) Any person may file with the Administrator or the Board, as to matters within their respective jurisdictions, a complaint in writing with respect to anything done or omitted to be done by any person in contravention of any provisions of this Act, or of any requirement established pursuant thereto. If the person complained against shall not satisfy the complaint and there shall appear to be any reasonable ground for investigating the complaint, it shall be the duty of the Administrator or the Board to investigate the matters complained of. Whenever the Administrator or the Board is of the opinion that any complaint does not state facts which warrant an investigation or action, such complaint may be dismissed without hearing. In the case of complaints against a member of the Armed Forces of the United States acting in the performance of his official duties, the Administrator or the Board, as the case may be, shall refer the complaint to the Secretary of the department concerned for action. The Secretary shall, within ninety days after receiving such a complaint, inform the Administrator or the Board of his disposition of the complaint, including a report as to any corrective or disciplinary actions taken.

INVESTIGATIONS ON INITIATIVE OF ADMINISTRATOR OR BOARD

SEC. 1002. (b) The Administrator or Board, with respect to matters within their respective jurisdictions, is empowered at any time to institute an investigation, on their own initiative, in any case and as to any matter or thing within their respective jurisdictions, concerning which complaint is authorized to be made to or before the Administrator or Board by any provision of this Act, or concerning which any question may arise under any of the provisions of this Act, or relating to the enforcement of any of the provisions of this Act. The Administrator or the Board shall have the same power to proceed with any investigation instituted on their own motion as though it had been appealed to by complaint.

ENTRY OF ORDERS FOR COMPLIANCE WITH ACT

SEC. 1002. (c) If the Administrator or the Board finds, after notice and hearing, in any investigation instituted upon complaint or upon their own initiative, with respect to matters within their jurisdiction, that any person has failed to comply with any provision of this Act or any requirement established pursuant thereto, the Administrator or the Board shall issue an appropriate order to compel such person to comply therewith.

## Section 02—Administration of Accounting and Reporting Regulations

*Delegated authority.* Under delegated authority from the Board as set forth by section 6 of Public Notice PN 14 (effective January 8, 1960) the Chief, Office of Carrier Accounts and Statistics, is authorized to take any or all of the following actions in administering the accounting, reporting and record-retention requirements of Parts 234, 241, 242, 244, 248, and 249 of the Economic Regulations:

(a) Waive any of the accounting, reporting and record-retention requirements as warranted, to meet temporary or local conditions.

(b) Interpret the Board's accounting, reporting, and record-retention requirements..

(c) Require submission by carriers of special statements necessary to an explanation of any carrier accounting or reporting practices.

(d) Establish detailed standard accounting, reporting and record-retention practices required to achieve conformance with regulations promulgated by the Board.

(e) Grant or deny individual requests for extension of time for filing reports.

(f) Dismiss, by letter, petitions for Board action when such dismissal is requested, or consented to, by petitioner.

(g) Grant or deny by letter, with the concurrence of the General Counsel and the Director, Bureau of Air Operations, requests for confidential treatment of preliminary year-end financial reports.

(h) Extend, with the concurrence of the Director, Bureau of Enforcement, the time period for the preservation of records relating to errors, oversales, irregularities and delays in handling passengers (§ 249.11(f), Category No. 303(a) of the Schedule of Records to Part 249 of the Economic Regulations).

(i) Grant or deny by letter, individual requests by air carriers for permission to use their own continuous-feed machine reporting forms, where Board approval for the use of such forms is required by the Economic Regulations.

## Section 03—Definitions for Purposes of This System of Accounts and Reports

*Account, clearing*—an account used as a medium for the temporary accumulation of costs that are redistributed to appropriate applicable accounts.

*Acquisition, date of*—the date on which the title to owned property or equipment (or the right to use or control the reassignment of leased property or equipment) passes to the air carrier.

*Addition, property*—additional equipment, land, structures, and other tangible property; extensions of fuel, water, and oil distribution equipment; additions to buildings and other structures; and additional safety devices applied to equipment not previously thus equipped. (See also *Modification.*)

*Air carrier*—any citizen of the United States who undertakes, whether directly or indirectly or by a lease or any other arrangement, to engage in air transportation.

*Air carrier, surviving*—an entity (air carrier) which, as the result of a business combination, has acquired the net assets, and carries on the operations of, one or more predecessor air carriers, and which may be newly organized at the time of the combination or may be one of the predecessor air carriers.

*Aircraft*—any contrivance now known or hereafter invented, used or designed for navigation of or flight in the air.

*Aircraft days assigned to service—carrier's equipment*—the number of days that aircraft owned or acquired through rental or lease (but not interchange) are in the possession of the reporting air carrier and are available for service on the reporting carrier's routes plus the number of days that the above aircraft are in service on routes of others under interchange agreements. Days that aircraft are out of service for periodic maintenance or major overhaul are included but days that newly acquired aircraft are on hand prior to availability for productive use and days that aircraft are rented or leased to others (for other than interchange) are excluded.

*Aircraft days assigned to service—carrier's routes*—same as *Aircraft days assigned to service—carrier's equipment* but excluding the number of days owned or rented equipment are in the possession of others under interchange agreements and including the number of days aircraft of others are in the possession of the air carrier under interchange agreements.

*Aircraft, leased (rented)*—aircraft obtained from (or furnished to) others under lease or rental arrangements. Leased and rented aircraft do not include those used under interchange agreements designed to provide one-plane service over the routes of the air carriers involved.

*Aircraft type*—a distinctive model as designated by the manufacturer.

*Airport*—a landing area regularly used by aircraft for receiving or discharging passengers or cargo.

*Airport, alternate*—an approved airport to which a flight may proceed if a landing at the airport to which the flight was dispatched becomes inadvisable.

*Airport-to-airport distance* — the great-circle distance, measured in statute miles, between airports as listed in the Civil Aeronautics Board's *Official Airline Route and Mileage Manual.* (See Part 247 of the Economic Regulations.)

*Air transportation*—the carriage by aircraft of persons, property, or mail.

*Airworthiness (or Airworthy)*—when applied to a particular aircraft or component part, it denotes the ability of such aircraft or component part to perform its function satisfactorily through a range of operations determined by the Federal Aviation Agency.

*Allocate*—to assign an item or group of items of investment, revenue, or cost to an object, activity, process, or operation, in accordance with cost responsibilities, benefits received, or other measure of apportionment.

*Allocation, bases of*—bases of distribution whereby revenues, expenses, and/or costs are equitably apportioned among revenue, expense, property and equipment, and other accounts.

*Amortization*—the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies or over the period during which it is anticipated the benefit will be realized.

*Asset, contingent*—an asset the existence, value, or ownership of which depend upon the occurrence or nonoccurrence of a specific event or upon the

performance or nonperformance of a specified act.

*Associated company*—a company in which the accounting air carrier holds 5 percent or more of the outstanding proprietary interest; or a company which holds 5 percent or more of the outstanding proprietary interest of the accounting air carrier; or a company that, directly or through one or more intermediaries, controls or is controlled by, or is under common control with the accounting air carrier. Companies owned or controlled jointly with other air carriers shall be regarded as associated companies for purposes of this system of accounts. (See also *Control.*)

*Betterment*—any improvement to property or equipment through the substitution of superior parts for inferior parts retired, the object of which is to make such property more useful or of greater capacity than at the time of acquisition or installation. (See also *Modification.*)

*Board*—the Civil Aeronautics Board.

*Cargo*—freight plus express plus excess baggage. Excludes passengers and mail (priority and nonpriority).

*Certificated point*—a city, place or population center authorized to receive scheduled air service under a *Certificate of Public Convenience and Necessity* or under an exemption issued to an air carrier.

*Certificate of Public Convenience and Necessity*—a certificate issued to an air carrier under Section 401, of the Act, by the Civil Aeronautics Board authorizing the carrier to engage in air transportation.

*Company, predecessor*—an air carrier whose net assets and operations have been taken over by one or more other air carriers.

*Compensation (of personnel)*—remuneration to air carrier employees for personal services. Includes salaries, wages, overtime pay, cost-of-living differentials, bonuses, etc., as distinguished from per diem allowances or reimbursement for expenses incurred by personnel for the benefit of the air carrier.

*Control* (including the terms *Controlling, Controlled by,* and *Under common control*)—the possession, directly or indirectly, of the power positively to direct, or cause the direction of or negate the direction of, the management and policies of a company, whether such power is through one or more intermediary companies or alone or in conjunction with or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract, or any other direct or indirect means.

*Cost*—the amount of cash (or its equivalent) actually paid for property, materials and supplies, and services, including that amount paid to put the property or materials and supplies in readiness for use. It includes such items as transportation charges, installation charges, and customs duties, less any cash or other discounts.

*Cost, book*—the amount at which an asset is recorded in an account without the deduction of amounts in related reserves or other accounts.

*Cost, depreciated*—the cost of property and equipment less the related reserves for depreciation.

*Cost, removal*—the cost of demolishing, dismantling, tearing down, or otherwise removing property and equipment, including the cost of related transportation and handling.

*Debt, expense on*—expenses incurred by or for the air carrier in connection with the issuance and sale of evidences of debt (exclusive of the sale of reacquired securities), such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds, certificates of indebtedness, and other commercial paper; specific costs of obtaining governmental authority for issuance and filing notices thereunder; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen for marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

*Departures completed, percent scheduled*—the percent of scheduled departures that were performed.

*Departures completed, scheduled*—the number of take-offs performed at each airport pursuant to published schedules, exclusive of extra sections to scheduled departures.

*Departure performed*—a take-off made at an airport.

*Departure, scheduled*—a take-off scheduled at an airport, as set forth in published schedules.

*Depreciation (of depreciable property and equipment)*—the loss in service value, not restored by current maintenance, incurred in the course of service from causes known to be in current operation, against which the carrier is not protected by insurance, and the effect of which can be forecast with reasonable accuracy. The causes of depreciation include wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

*Discount (of securities issued or assumed by the air carrier)*—the excess of (1) the par or stated value of securities over (2) the then current money value of the consideration received from their sale less the amount included for dividends or for interest accrued.

*Equipment*—tangible property other than land, structures, and improvements.

*Equivalent unit*—a new unit substituted for an existing unit that is worn out, is damaged beyond repair, or has become inadequate in service, the substituted unit having substantially no greater capacity than the unit for which substituted.

*Excess baggage*—passenger baggage in excess of the fixed free weight.

*Expense, capital stock*—expenses incurred by or for the air carrier in connection with the initial issuance and sale of capital stock (exclusive of the sale of reacquired capital stock), such as fees and commissions paid to promoters, underwriters, brokers, and salesmen; fees for legal services; cost of soliciting subscriptions for capital stock; including fees, commissions, and advertising; specific costs of obtaining governmental authority for issuance and filing notices thereunder; fees and taxes for issuance of capital stock and listing on exchanges; and the cost of preparing, engraving, printing, issuing, and distributing prospectuses and stock certificates.

*Express*—property transported by air under published air express tariffs filed with the Civil Aeronautics Board.

*Flight, developmental*—a flight for (a) the development of a new route either prior or subsequent to certification by the Civil Aeronautics Board; (b) the extension of an existing route; and (c) the integration of a new type of aircraft or service.

*Flight, extra section*—a flight, conducted as an integral part of scheduled service, that has not been provided for in published schedules and is required for transportation of traffic that can not be accommodated on a regularly scheduled flight. Flights made in ferrying aircraft to meet schedules, or for similar operational reasons, are not extra sections, and are classified as nonrevenue flights even if an occasional shipment, as a matter of special accommodation, is on board.

*Flight, ferry*—a flight for the purpose of returning an aircraft to base, equipment equalization, or moving an aircraft to and from a maintenance base.

*Flight, personnel training*—a flight for the purpose of obtaining flying time for flight personnel or a flight in connection with a personnel training program.

*Flight stage*—the operation of an aircraft from take-off to landing. For purposes of classifying flight stages as between "domestic", "territorial", and "international", technical stops are disregarded.

*Freight*—property transported by air under published air freight tariffs filed with the Civil Aeronautics Board.

*Group basis (in depreciation accounting)*—a plan under which (1) depreciation is based upon the application of a single depreciation rate to the total book cost of all property included in a given depreciable property and equipment account or class, despite differences in service life of individual items of property and equipment, (2) the full original cost, less any salvage realized, of an item of depreciable property or equipment retired is charged to the reserve for depreciation regardless of the age of the item, and (3) no gain or loss is recognized on the retirement of individual items of property or equipment.

*Hop, inter-airport*—a flight between two airports.

*Horsepower, maximum continuous*—the brake horsepower developed in standard atmosphere at a specified altitude under the maximum conditions of crankshaft rotational speed and engine manifold pressure approved for use during periods of unrestricted duration. For purposes of this system of accounts and reports, the maximum continuous horsepower for each aircraft type or

model shall be the horsepower established under conditions of sea level altitude by the Federal Aviation Agency in aircraft specifications pertaining to each aircraft type or model.

*Hours, aircraft*—the airborne hours of aircraft computed from the moment an aircraft leaves the ground until it touches the ground at the end of a flight.

*Hours, block-to-block (ramp-to-ramp)*—the aircraft hours computed from the moment the aircraft first moves under its own power for purposes of flight, until it comes to rest at the next point of landing.

*Hours flown, revenue aircraft*—the aircraft hours of flights performed in revenue service.

*Hours in capitalized projects, aircraft*—aircraft hours applicable to ferrying newly acquired aircraft from the factory, to capitalized extension and development preoperating projects and to other costs which have been capitalized.

*Hours per aircraft per day—carrier's equipment, revenue*—average hours of productive use per day in revenue service of reporting carrier's equipment determined by dividing (1) *Aircraft days assigned to service—carrier's equipment* into (2) *Revenue aircraft hours* minus *Revenue hours on other carrier's interchange equipment* plus *Total hours by others on the carrier's interchange equipment.*

*Hours per aircraft per day—carrier's routes, revenue*—average hours of productive use per day in revenue service on reporting carrier's routes determined by dividing (1) *Aircraft days assigned to service-carrier's routes* into (2) *Revenue aircraft hours.*

*Improvement*—an addition or alteration to land, a building, or a unit of equipment that results in a better piece of property, in the sense of greater durability, or in increased productivity or efficiency. (See also *Modification.*)

*Insurance, self*—the assumption by an air carrier of a risk of loss or liability arising from an accident or other contingent event.

*Interchange agreement*—an agreement under which aircraft of one air carrier are utilized to provide one-plane service over its own routes and the routes of other air carriers.

*Inventory, perpetual*—a book inventory kept in continuous agreement with stock on hand by means of a detailed record.

*Item, delayed*—an item relating to transactions that occurred during a prior accounting period and that requires further accounting treatment for a true statement of financial condition or operating results. It includes adjustments of errors in the operating revenue, operating expense, and other income accounts for prior periods.

*Liability, contingent*—a possible source of obligation of an air carrier dependent upon the fulfillment of conditions regarded as uncertain.

*Load, available*—represents the maximum salable load. It is the allowable gross weight less the empty weight, less all justifiable aircraft equipment, and less the operating load (consisting of minimum fuel load, oil, flight crew, steward's supplies, etc.). For passenger aircraft, the available load must not exceed the weight of the maximum number of passengers who can be accommodated in the seats installed in the aircraft plus the weight of the traffic that can be accommodated in the cargo space.

*Load, average revenue*—the average total revenue tons carried in revenue services, determined by dividing total revenue ton-miles by aircraft miles flown in revenue services.

*Load, average revenue passenger*—average number of revenue passengers carried in passenger services, determined by dividing revenue passenger-miles by aircraft miles flown in revenue passenger services.

*Load factor, over-all revenue*—the percent that total revenue ton-miles (passenger plus nonpassenger) are of available ton-miles in revenue services.

*Load factor, revenue passenger*—the percent that revenue passenger-miles are of available seat-miles in revenue passenger services.

*Load, minimum fuel*—the minimum quantity of fuel with which an aircraft may be dispatched in accordance with the safety operating needs of the air carrier.

*Load, salable*—(See, *Load, available.*)

*Mail, nonpriority*—mail moving at service transportation rates lower than those established for mail bearing postage established specifically for air mail service.

*Mail, priority*—mail bearing postage at rates established specifically for air mail service or mail moving at service transportation rates equivalent to those established for air mail service.

*Mile*—a statute mile (5,280 feet).

*Miles completed, percent scheduled aircraft*—the percent of scheduled aircraft miles which were performed.

*Miles completed, scheduled aircraft*—the aircraft miles performed on scheduled flights computed between only those scheduled points actually served.

*Miles flown, aircraft*—the miles (computed in airport-to-airport distances) for each inter-airport hop actually completed, whether or not performed in accordance with the scheduled pattern. For this purpose, operation to a flag stop is a hop completed even though a landing is not actually made. In cases where the inter-airport distances are inapplicable, aircraft miles flown are determined by multiplying the normal cruising speed for the aircraft type by the airborne hours.

*Miles flown, nonrevenue aircraft*—the aircraft miles flown on nonrevenue flights, such as ferry, personnel training, extension and development, and abortive revenue flights.

*Miles, revenue aircraft*—the aircraft miles flown in revenue service.

*Miles, scheduled aircraft*—the sum of the airport-to-airport distances of all flights scheduled to be performed over the air carrier's certificated routes pursuant to published flight schedules. Flights listed in the published schedules for operation only as extra sections, when traffic warrants, are excluded.

*Modification*—an alteration in a structure or unit of equipment that changes its design and is made to correct an error, increase production, improve efficiency of operation, or for some other reason.

*Obsolescence*—the process of becoming out of date due to progress of the arts and sciences, changed economic conditions, legislation, etc., which ultimately results in the retirement or other disposition of property.

*Off-Line*—installations maintained or facilities used for other than scheduled certificated air services.

*On-Line*—installations maintained or facilities used in conducting scheduled certificated air services.

*Operations, domestic*—flight stages with both terminals within territory under United States jurisdiction where the terminals are not separated by relatively substantial distances of foreign territory or international waters.

*Operations, international*—flight stages with one or both terminals outside of territory under United States jurisdiction.

*Operations, system*—the over-all operations of an air carrier including all of the operating entities of an air carrier having multiple operations.

*Operations, territorial*—flight stages with both terminals within territory under United States jurisdiction where the terminals are separated by relatively substantial distances of foreign territory or international waters.

*Passenger-mile*—one passenger transported one mile. Passenger-miles are computed by multiplying the aircraft miles flown on each inter-airport hop by the number of passengers carried on that hop.

*Passenger-mile, nonrevenue*—one nonrevenue passenger transported one mile.

*Passenger-mile, revenue*—one revenue passenger transported one mile.

*Passenger originations, number of on-line*—the number of passengers boarding aircraft at the points of initial enplanement on the accounting carrier's operation with the return portion of a round trip counted separately as an initial origination. In addition, a passenger traveling on a carrier having two or more operating entities, for which separate reports are required by the Civil Aeronautics Board, is counted separately on each one.

*Passenger, nonrevenue*—person receiving air transportation from the air carrier for which remuneration is not received by the air carrier. Air carrier employees or others receiving air transportation against whom token service charges are levied are considered nonrevenue passengers. Infants for whom a token fare is charged are not counted as passengers.

*Passenger, revenue*—person receiving air transportation from the air carrier for which remuneration is received by the air carrier. Air carrier employees or others receiving air transportation against whom token service charges are levied are considered nonrevenue pas-

sengers. Infants for whom a token fare is charged are not counted as passengers.

*Premium (as applied to securities issued or assumed by the air carrier)*—the excess of (1) the then current money value of the consideration received from their sale, less the amount included therein for dividends or interest accrued, over (2) their par or stated value.

*Property (as applied to traffic)*—(See *Cargo.*)

*Replacement*—substitution of new for existing facilities that are worn out, damaged beyond repair, or have become inadequate in service.

*Residual value*—the predetermined portion of the cost of a unit of property or equipment excluded from depreciation. It shall represent a fair and reasonable estimate of recoverable value as at the end of the service life over which the property or equipment is depreciated and shall give due consideration to the proceeds anticipated from disposition of the property or equipment and the extent to which costs attaching to property or equipment are otherwise recoverable through charges against income.

*Retirement*—the permament withdrawal of assets from services of the corporate entity through sale, abandonment, demolition, or other disposal.

*Retirement, date of*—the date on which property or equipment is permanently withdrawn from services of the corporate entity.

*Route, certificated*—the route over which an air carrier is authorized to provide air transportation pursuant to Certificates of Public Convenience and Necessity issued by the Civil Aeronautics Board.

*Salvage value*—the amount received for property retired, less the expenses incurred in connection with the sale or in the preparation of the property for sale; or, if retained, the amount at which the material recovered is charged to materials and supplies or other appropriate account.

*Schedule, published*—an official schedule of an air carrier on file with the Civil Aeronautics Board.

*Seats available*—installed seats in an aircraft (including seats in lounges) exclusive of any seats not offered for sale to the public by the carrier; provided that in no instance shall any seat sold be excluded from the count of available seats.

*Seats, average available*—the average number of seats available for passengers, determined by dividing available seat-miles by revenue aircraft miles flown in passenger service.

*Seat-miles, available*—the aircraft miles flown on each inter-airport hop multiplied by the number of seats available on that hop.

*Service, charter*—nonscheduled air transport service in which the party receiving transportation obtains exclusive use of an aircraft at published tariff rates and the remuneration paid by the party receiving transportation accrues directly to, and the responsibility for providing transportation is that of, the accounting air carrier.

*Service, coach (tourist)*—transport service specifically established for the carriage of passengers at special reduced passenger fares that are predicated on both the operation of specifically designated aircraft space and a reduction in the quality of service regularly and ordinarily provided.

*Service, combination passenger*—transport service for the carriage of both first class and coach (tourist) passengers on the same aircraft.

*Service, irregular (excluding charter and special)*—nonscheduled inter-airport air transport services which do not constitute an integral part of scheduled services to certificated points, where each passenger or property shipment is individually documented at published tariff rates (other than charter rates) and the remuneration paid by each party receiving transportation accrues directly to, and the responsibility for providing transportation is that of, the accounting air carrier.

*Service, first class*—transport service established for the carriage of passengers moving at either standard fares or premium fares, or at reduced fares not predicated upon the operation of specifically allocated aircraft space, and for whom standard or premium quality services are provided.

*Service life*—the period between the date of installation of property or equipment and its date of retirement.

*Service, mixed*—transport service established for the joint transportation of passengers, cargo, and/or mail.

*Service, nonpassenger*—transport service established for the carriage of traffic other than passengers.

*Service, nonscheduled*—includes transport service between points not covered by Certificates of Public Convenience and Necessity issued by the Civil Aeronautics Board to the air carrier; services pursuant to the charter or hiring of aircraft; other revenue services not constituting an integral part of the services performed pursuant to published schedules; and related nonrevenue flights.

*Service, scheduled*—transport service operated over an air carrier's certificated routes pursuant to published flight schedules, including extra sections and related nonrevenue flights.

*Service, special*—nonscheduled air transport services in which the party receiving transportation obtains exclusive use of an aircraft at other than tariff rates and/or individually-ticketed services not involving inter-airport transportation, whereby the remuneration paid by the party receiving the transportation accrues directly to, and the responsibility for providing the service is that of, the accounting air carrier.

*Service, transport*—the operation of facilities for the carriage of traffic by air.

*Service, tourist*—(See *Service, coach.*)

*Services, all*—the total of scheduled and nonscheduled transport services.

*Stop, flag*—a point on an air carrier's certificated route that is scheduled to be served only when traffic is to be picked up or discharged.

*Stop, fuel*—a point on an air carrier's certificated route scheduled to refuel the aircraft but not to enplane or deplane traffic.

*Stops, technical*—aircraft landings made for purposes other than enplaning or deplaning traffic.

*Tariff, published*—a publication containing rates applicable to the transportation of persons or cargo and rules relating to or affecting such rates or transportation, filed with the Civil Aeronautics Board.

*Ton*—a short ton (2,000 pounds).

*Ton-mile*—one ton transported one mile. Ton-miles are computed by multiplying the aircraft miles flown on each inter-airport hop by the number of tons carried on that hop.

*Ton-mile, nonrevenue*—one ton of nonrevenue traffic transported one mile.

*Ton-mile, passenger*—one ton of passenger weight (including free baggage) transported one mile. (See also *Weight, passenger.*)

*Ton-mile, revenue*—one ton of revenue traffic transported one mile.

*Ton-miles, available*—the aircraft miles flown on each inter-airport hop multiplied by the available load for that hop.

*Traffic, enplaned*—a count of the number of passengers boarding and tons of cargo and mail loaded on an aircraft. For this purpose, passengers, cargo, and mail on aircraft entering a carrier's system on interchange flights are considered as enplaning at the interchange point, and passengers, cargo, and mail moving from one operation to another operation of the same carrier, for which separate reports are required by the Civil Aeronautics Board, are considered as enplaning at the junction point.

*Traffic, deplaned*—a count of the number of passengers getting off and tons of cargo and mail unloaded from an aircraft. For this purpose, passengers, cargo, and mail on aircraft leaving a carrier's system on interchange flights are considered as deplaning at the interchange point, and passengers, cargo, and mail moving from one operation to another operation of the same carrier, for which separate reports are required by the Civil Aeronautics Board, are considered as deplaning at the junction point.

*Traffic, nonrevenue*—passengers and cargo transported by air for which remuneration is not received by the air carrier. Passengers (including air carrier employees) and cargo carried for token service charges are considered nonrevenue traffic.

*Traffic office*—a facility where air transportation is sold, and related processes of documentation and reservation confirmation are performed.

*Traffic, revenue*—passengers, cargo, and mail transported by air for which remuneration is received by the air carrier. Passengers (including air carrier employees) and cargo carried for token service charges are not considered revenue traffic.

*Transportation, free*—the carriage of any person or cargo (other than cargo owned by the air carrier) without compensation.

*Unit basis (in depreciation accounting)*—a plan under which depreciation expense is accrued upon the basis of the book cost of the individual item of property in relation to the service life and salvage value of the particular item.

*Value, service*—the difference between the book cost and the residual value of property and equipment.

*Weight, allowable gross*—the maximum gross weight (of the aircraft and its contents) which an aircraft is licensed to carry into the air on each inter-airport hop.

*Weight, average available*—the average capacity available for revenue traffic, determined by dividing available ton-miles by aircraft miles in revenue service.

*Weight, empty*—the weight of the airframe, engines, propellers, and fixed equipment of an aircraft. Empty weight excludes the weight of the crew and payload, but includes the weight of all fixed ballast, unusable fuel supply, undrainable oil, total quantity of engine coolant, and total quantity of hydraulic fluid.

*Weight, passenger*—for the purposes of this manual, a standard weight of 190 pounds per passenger (including free baggage) is used for domestic operations, and 215 and 200 pounds for first class and coach passengers, respectively, in territorial and international operations. Other weights may be prescribed in specific instances upon the initiative of the Board or upon factually supported request by an air carrier.

## Section 04—Air Carrier Groupings and Standard Name Abbreviations

### Group I Air Carriers

| *Name* | *Abbreviations* |
|---|---|
| AAXICO Airlines, Inc | AAXICO |
| Alaska Coastal Airlines | Alaska Coastal |
| Avalon Air Transport, Inc | Avalon |
| Caribbean-Atlantic Airlines, Inc | Caribair |
| Chicago Helicopter Airways, Inc | Chicago Helicopter |
| Cordova Airlines, Inc | Cordova |
| Ellis Air Lines | Ellis |
| Kodiak Airways, Inc | Kodiak |
| Los Angeles Airways, Inc | LA Airways |
| Mackey Airlines, Inc | Mackey |
| Howard J .Mays | Mays |
| New York Airways, Inc | NY Airways |
| Northern Consolidated Airlines, Inc | Northern Consol |
| Reeve Aleutian Airways, Inc | Reeve |
| Resort Airlines, Inc | Resort |
| Samoan Airlines, Ltd | Samoan |
| South Pacific Air Lines | South Pacific |
| Western Alaska Airlines, Inc | Western Alaska |
| Wien Alaska Airlines, Inc | Wien |

### Group II Air Carriers

| | |
|---|---|
| Aerovias Sud Americana, Inc | Aerovias |
| Allegheny Airlines, Inc | Allegheny |
| Aloha Airlines, Inc | Aloha |
| Bonanza Air Lines, Inc | Bonanza |
| Central Airlines, Inc | Central |
| Frontier Airlines, Inc | Frontier |
| Hawaiian Airlines, Inc | Hawaiian |
| Lake Central Airlines, Inc | Lake Central |
| North Central Airlines, Inc | North Central |
| Ozark Air Lines, Inc | Ozark |
| Pacific Air Lines, Inc | Pacific |
| Riddle Airlines, Inc | Riddle |
| Southern Airways, Inc | Southern |
| Transportation Corporation of America | Transport Corporation |
| Trans-Texas Airways | Trans-Texas |
| West Coast Airlines, Inc | West Coast |

### Group III Air Carriers

| | |
|---|---|
| Alaska Airlines, Inc | Alaska |
| American Airlines, Inc | American |
| Braniff Airways, Inc | Braniff |
| Capital Airlines, Inc | Capital |
| Continental Air Lines, Inc | Continental |
| Delta Air Lines, Inc | Delta |
| Eastern Air Lines, Inc | Eastern |
| The Flying Tiger Line, Inc | Flying Tiger |
| Mohawk Airlines, Inc | Mohawk |
| National Airlines, Inc | National |
| Northeast Airlines, Inc | Northeast |
| Northwest Airlines, Inc | Northwest |
| Pacific Northern Airlines, Inc | Pacific Northern |
| Pan American-Grace Airways, Inc | Panagra |
| Pan American World Airways, Inc | Pan American |
| Piedmont Aviation, Inc | Piedmont |
| Seaboard World Airlines, Inc | Seaboard |
| Slick Airways, Inc | Slick |
| Trans World Airlines, Inc | Trans World |
| United Air Lines, Inc | United |
| Western Air Lines, Inc | Western |

### Section 05—Standard Air Carrier Operation Abbreviations

| *Operation* | *Operations abbreviations* |
|---|---|
| Domestic/Canadian Transborder: | |
| Trunk | Dom/Can-Trunk |
| Local service | Dom/Can-Local |
| Special area | Dom/Can-Special |
| Cargo | Dom/Can-Cargo |
| Territorial/Domestic: | |
| Alaska | Ter/Dom-Alaska |
| Latin America | Ter/Dom-Latin Amer |
| Pacific | Ter/Dom-Pacific |
| International/Territorial: | |
| Atlantic | Int/Ter-Atlantic |
| Latin America | Int/Ter-Latin Amer |
| Pacific | Int/Ter-Pacific |

## GENERAL ACCOUNTING PROVISIONS

### Section 1—Introduction to System of Accounts and Reports

**Sec. 1–1 Applicability of system of accounts and reports.**

Each air carrier holding a Certificate of Public Convenience and Necessity authorizing unlimited scheduled service over designated routes, issued under section 401 of the Federal Aviation Act of 1958, shall keep its books of account, records and memoranda and make reports to the Board in accordance with this system of accounts and reports. The Civil Aeronautics Board reserves the right, however, under the provisions of sections 407 and 416 of the Federal Aviation Act of 1958 to expand or otherwise modify the classes of carriers subject to this system of accounts and reports.

**Sec. 1–2 Waivers from this system of accounts and reports.**

A waiver from any provision of this system of accounts or reports may be made by the Civil Aeronautics Board upon its own initiative or upon the submission of written request therefor from any air carrier, or group of air carriers, provided that such a waiver is in the public interest and each request for waiver expressly demonstrates that: existing peculiarities or unusual circumstances warrant a departure from a prescribed procedure or technique; a specifically defined alternative procedure or technique will result in a substantially equivalent or more accurate portrayal of operating results or financial condition, consistent with the principles embodied in the provisions of this system of accounts and reports; and the application of such alternative procedure will maintain or improve uniformity in substantive results as between air carriers.

**Sec. 1–3 General description of system of accounts and reports.**

(a) This system of accounts and reports is designed to permit limited contraction or expansion to reflect the varying needs and capacities of different air carriers without impairing basic accounting comparability as between air carriers. In its administration three air carrier groups, designated Group I, Group II, and Group III, respectively (see section 04), are established by the Civil Aeronautics Board. This grouping will be reviewed from time to time upon petition of individual air carriers or by initiative of the Civil Aeronautics Board, with the view of a possible regrouping of the air carriers.

(b) Under the system of accounts prescribed, balance sheet elements are accounted for by all air carrier groups within a fixed uniform pattern of specific accounts. All profit and loss elements are accounted for within specific objective accounts established for each air carrier group resulting from dual classifications, designated for each air carrier group, which are descriptive of both basic areas of financial activity, or functional operation, and objective served. The profit and loss elements of the three air carrier groups can be reduced to broad objectives and general or functional classifications which are comparable for all air carrier groups. Both balance sheet and profit and loss accounts and account groupings are designed, in general, to embrace all activities, both air transport and other than air transport, in which the air carrier engages and provide for the separation of elements identifiable exclusively with other than air transport activities. Profit and loss elements which are recorded during the current accounting year are subclassified as between (1) those which relate to the current accounting year and adjustments of a recurrent nature applicable to prior accounting years, and (2) extraordinary items of material magnitude.

(c) In order to afford air carriers as much flexibility and freedom as possible in establishing ledger and subsidiary accounts to meet their individual needs, a minimum number of account subdivisions have been prescribed in this Uniform System of Accounts. It is intended, however, that each air carrier, in maintaining its accounting records, will provide subaccount and subsidiary account segregations of accounting elements which differ in nature of accounting characteristics, in a manner which will render individual elements readily discernible and traceable throughout the accounting system, and will provide for relating profit and loss elements to applicable balance sheet counterparts.

**Sec. 1–4 System of accounts coding.**

(a) A four digit control number is assigned for each balance sheet and profit and loss account. Each balance sheet account is numbered sequentially, within blocks, designating basic balance sheet classifications. The first two digits of the four digit code assigned to each profit and loss account denote a detailed area of financial activity or functional operation. The first two digits, thus assigned to each profit and loss account, are numbered sequentially within blocks, designating more general classifications of financial activity and functional operation. The second two digits assigned to profit and loss accounts denote objective classifications.

(b) A fifth digit, appended as a decimal, has been assigned for internal control by the Civil Aeronautics Board of prescribed subdivisions of the primary objective balance sheet and profit and loss classifications. A different fifth digit code number from that assigned by the Civil Aeronautics Board may be adopted for internal record keeping by the air carrier provided the prescribed subclassification of objective accounts is not impaired and the code number assigned by the Civil Aeronautics Board is employed in reporting to the Board on Form 41 Reports.

**Sec. 1–5 Records.**

(a) The general books of account and all books, records, and memoranda which support in any way the entries therein shall be kept in such manner as to provide at any time full information relating to any account. The entries in each account shall be supported by such detailed information as will render certain the identification of all facts essential to a verification of the nature and character of each entry and its proper classification under the prescribed Uniform System of Accounts. Registers, or other appropriate records, shall be maintained of the history and nature of each note receivable and each note payable.

(b) The books and records referred to herein include not only accounting records in a limited technical sense, but all other records such as organization tables and charts, internal accounting manuals and revisions thereto, minute books, stock books, reports, cost distributions and other accounting work sheets, correspondence, memoranda, etc., which may constitute necessary links in developing the history of, or facts regarding, any accounting or financial transaction.

(c) All books, records and memoranda shall be preserved and filed in such manner as to readily permit the audit and examination thereof by representatives of the Civil Aeronautics Board. All books, records and memoranda shall be housed or stored in such manner as to afford protection from loss, theft, or damage by fire, flood or otherwise and no such books and records shall be destroyed or otherwise disposed of, except in conformance with Part 249 of the Economic Regulations of the Civil Aeronautics Board for the preservation of records.

**Sec. 1–6 Accounting entities.**

Separate records shall be maintained for each entity required to make separate reports pursuant to section 21(i), and for each entity established for management purposes. Such records shall be maintained with sufficient particularity to permit the association of items traceable directly to each entity and to permit the proration of items which are common to two or more such entities in such fashion that the results produced for each entity would be closely comparable to the results which would be required to fairly reflect the operating results of a distinct legal entity.

**Sec. 1–7 Interpretation of accounts.**

To the end that uniform accounting may be maintained within the prescribed system, questions involving matters of significance which are not clearly provided for should be submitted to the Civil Aeronautics Board for explanation, interpretation, or resolution.

**Sec. 1–8 Address for reports and correspondence.**

Reports, statements and correspondence submitted to the Civil Aeronautics Board in accordance with or relating to instructions and requirements contained herein shall be addressed to the Office of Carrier Accounts and Statistics, Civil Aeronautics Board, Washington, D.C., the organizational unit responsible for administering the accounting and reporting functions of the Civil Aeronautics Board.

**Sec. 1–9 Conversion to this system of accounts and reports.**

(a) The provisions of this system of accounts and reports shall be effective as of January 1, 1957. All balance sheet account balances shall be restated as at the beginning of business January 1, 1957 to conform with the provisions of this system of accounts except as provided in this section 1–9. All necessary adjustments to conform the accounts to the new system by reason of increase or decrease in reserves, or other necessary adjustments, shall be accumulated in an appropriate clearing account and the net transferred to profit and loss classification 9700 Special Items.

(b) Any adjustments of reserves for depreciation, obsolescence of flight equipment expendable parts, uncollectible accounts or other valuations of assets, shall be applied to current and subsequent accounting periods by spreading the depreciated cost of such assets over the remaining life of the asset to which applicable and shall not be applied retroactively.

(c) Any reserve accumulated for obsolescence of flight equipment spare parts and assemblies shall be divided between the portion applicable to flight equipment expendable parts and flight equipment rotable parts and recorded in the applicable reserve accounts.

(d) Any provision of this system of accounts respecting reserves for depreciation, or other valuation of assets, shall be made applicable as at the effective date of this regulation to all assets then existing as well as to assets subsequently acquired against which the accrual of reserves would be appropriate.

(e) All statements and plans required to be submitted to the Civil Aeronautics Board by this system of accounts insofar as currently applicable shall be filed by January 1, 1957. (See section 22(d).)

## Section 2—General Accounting Policies

**Sec. 2–1 Bases of allocation between entities.**

(a) In accordance with the provisions of section 1–6, profit and loss items applicable in common to two or more entities shall be allocated between such entities in such fashion that the results produced for each entity would be closely comparable to those which would be required to fairly reflect results of a distinct legal entity.

(b) Each air carrier shall file with the Civil Aeronautics Board a statement detailing practices and techniques used in assigning and prorating profit and loss items between separate entities. The practices and techniques set forth in such statement shall thenceforth be used by the air carrier unless it is notified by the Civil Aeronautics Board that they do not meet the requirements set forth in paragraph (a) of this section 2-1. (See section 22(d).)

(c) Changes in methods of allocating items between entities shall not be reflected in the air carrier's accounts until 30 days have elapsed following the filing of a statement, of the type described in paragraph (b) of this section 2–1, with the Civil Aeronautics Board unless the carrier has been notified in writing by the Civil Aeronautics Board, prior to the expiration of such period, that the changes either conform with or do not meet the requirements set forth in paragraph (a) of this section 2–1.

**Sec. 2–2 Distribution of revenues and expenses within entities.**

(a) Revenues and expenses attributable to a single natural objective account or functional classification shall be assigned accordingly.

(b) Revenue and expense items which are common to two or more natural objective accounts shall be recorded in the objective accounts to which they predominantly relate.

(c) Expense items contributing to more than one function shall be charged to the general overhead functions to which applicable except that where only incidental contribution is made to more than a single function an item may be included in the function to which primarily related, provided such function is not distorted by including an aggregation of amounts applicable to other functions. When assignment of expense items on the basis of the primary activity to which related does not in the aggregate result in a fair presentation of the expenses applicable to each function, apportionment shall be made between functions based upon a study of the contribution to each function during a representative period.

**Sec. 2–3 Transactions in foreign currencies.**

(a) All accounts provided herein shall be stated in terms of United States Currency.

(b) Amounts to be entered in the accounts of this system that originate in terms of foreign currencies, shall be initially recorded in United States Currency at the rates of exchange realizable at the date of the original transaction, except as provided in paragraph (g) of this section 2–3, unless free conversion is not permitted and governmentally controlled rates are prescribed, in which case the latter rates shall be used.

(c) Current assets and liabilities shall be restated in the accounts at the end of each quarterly accounting period at rates of exchange then realizable, except as provided in paragraph (g) of this section 2–3, unless free conversion is not permitted and governmentally controlled rates are prescribed in which case the latter rates shall be used.

(d) Noncurrent assets and liabilities shall be reflected in the accounts at the freely realizable, or governmentally prescribed, rates of exchange prevailing at the date of the original transaction and shall not be revalued to reflect subsequent changes in rates of exchange, except to reflect permanent changes in value resulting from general monetary revaluations.

(e) Unrealized gains or losses developing in the course of normal routine restatements of current assets and liabilities in conformance with day-to-day fluctuations in rates of exchange shall be entered in profit and loss classification 4600 Incidental Revenues—Net. Unrealized gains or losses of a nonroutine or an abnormal character shall be entered in profit and loss classification 8100 Nonoperating Income and Expense—Net.

(f) Realized gains or losses resulting from normal routine differences between the rates at which assets and liabilities are stated in the accounts and the rates of exchange existing at the date of realization, liquidation, or settlement, shall be entered in profit and loss classification 4600 Incidental Revenues—Net. Realized gains or losses of a nonroutine or an abnormal character shall be entered in profit and loss classification 8100 Nonoperating Income and Expense—Net.

(g) Standard rates of exchange which are reasonably representative of currently realizable rates of exchange, or governmentally controlled rates where free conversion is not permitted, may be used for originally recording each transaction and for quarterly restatements of current assets and current liabilities provided such standards are redetermined at least once each accounting year or oftener as may be necessary to reasonably approximate currently realizable or officially prescribed rates of exchange at the close of each calendar quarter.

(h) Provisions shall not be made by charges against income for reserves against anticipated changes in exchange rates during future accounting periods.

**Sec. 2–4 Accounting period.**

(a) The accounting year of each air carrier subject to this Uniform System of Accounts shall be the calendar year unless otherwise approved by the Civil Aeronautics Board.

(b) Each air carrier shall keep its financial accounts and records on a full accrual basis for each quarter so that all transactions, as nearly as may reasonably be ascertained, shall be fully reflected in the air carrier's books for the quarter in which revenues have been earned and the costs attaching to the revenues so earned in each quarter have been incurred independently of the incidence of sales or purchases and settlement with debtors or creditors.

(c) Expenditures incurred during the current accounting year which demonstrably benefit operations to be performed during subsequent accounting years to a significant extent shall be deferred and amortized to the period in which the related operations are performed when of sufficient magnitude to distort the accounting results of the year in which incurred.

(d) Expenditures charged directly or amortized to operations within one accounting year shall not be reversed in a subsequent accounting year and reamortized or charged directly against operations of subsequent years except that retroactive adjustments are permitted where necessary to conform with adjustments required by the Civil Aeronautics Board for rate making purposes provided a statement explaining the detailed adjustments is submitted for review by the Civil Aeronautics Board. (See section 22(d).)

**Sec. 2–5 Liability accruals.**

Charges shall be made against income and accruals made for only those liabilities for which a definitely demonstrable obligation exists. Where a definite obligation has been incurred, such as for accrued vacation or dismissal compensation and the precise liability has not been determined, an estimate may be made of the currently existing liability on such actuarial or other bases as can be justified from available information, provided that balances are re-evaluated and adjusted at least once each accounting year to accurately reflect the true detriment (or cost) to the air carrier.

**Sec. 2–6 Federal income tax accruals.**

(a) All income taxes shall be accrued by proportionate charges or credits to income each calendar quarter in such manner as will allocate the charges for taxes, or the tax credits for losses, to the periods in which the related profits or losses respectively, are reflected. (See section 8(d)(4).)

(b) The general policy in respect to the accrual of income taxes for each accounting period will require that the air carrier take up in its accounts an amount equivalent to the actual tax liability applicable to the period as computed or estimated on the basis of income tax laws and regulations then in effect. As a general rule the accrual of income taxes on differences between income recognized for book purposes and tax purposes is prohibited. However, Federal income taxes may be deferred for material income differences associated with airworthiness reserve or self-insurance reserve provisions, depreciation allowances under provisions of section 167 and 168 of the Internal Revenue Code, and different treatments for book and tax purposes of preoperating, aircraft integration, route extension or other developmental expenses. In the event a carrier elects to follow deferred

tax accounting for one or more of the foregoing income differences, it shall do so for all of such income differences, on a consistent basis both within each accounting year and as between accounting years. In effecting the accruals, records with respect to reserves for deferred taxes on income shall be maintained in accordance with the provisions of balance sheet account 2340 Deferred Federal Income Taxes.

**Sec. 2–7 Delayed items.**

(a) All items affecting net income, including revenue and expense adjustments, shall be recorded in the appropriate profit and loss accounts shown on the income statement, and shall not be entered directly to retained earnings.

(b) Items applicable to operations occurring prior to the current accounting year shall be included in the same accounts which would have been charged or credited if the items had not been delayed; *Provided,* That any item of extraordinary nature which is so large in amount that inclusion in the accounts for a single year would materially distort the total operating expenses or total operating revenues, as applicable, shall be included in Profit and Loss classification 9700 Special Items. Ordinary adjustments of a recurring nature shall not be considered extraordinary and shall be included in the accounts to which ordinarily applicable. For purposes of this regulation, debits or credits included in classification 9700 Special Items shall be limited to items which (1) have no particular time incidence; (2) represent revenue or expense elements being retroactively introduced into the basis used for income computation; (3) represent revenue or expense elements being retroactively eliminated from the basis used for income computation; or (4) are retroactive adjustments of Federal subsidy due to revisions of subsidy mail rates of prior periods. Examples of extraordinary items to be included in this classification, when of sufficient materiality, are: catastrophic losses which are not a recurrent business hazard, such as from floods; the retroactive establishment or elimination of previously established reserves; and extraordinary write-offs of intangible assets which through unusual circumstances have become worthless, and adjustments resulting from refunding or premature retirement of debt. As a standard practice, an extraordinary item to be classified as special must exceed one-half of one percent of the twelve-months-to-date total operating revenues or total operating expenses depending on the nature of the item. When an item (or items) recorded in the objective accounts of a given function and relating to a single transaction does not exceed this amount but does exceed one percent of the total functional classification of which it is a part, it shall be included in the account to which ordinarily applicable and footnoted on Form 41.

(c) Items applicable to operations occurring in prior quarters of the current accounting year shall be included in the same accounts that would have been charged or credited if the items had not been delayed: *Provided,* That, when the total amount of an adjustment recorded in one or more of the regular objective accounts of a given function relating to a single transaction exceeds one percent of the twelve-months-to-date total in the applicable functional account, it shall be identified in amount and nature by quarters to which applicable, as a footnote to the CAB Form 41 income statement for the quarter in which included.

**Sec. 2–8 Unaudited items.**

If a transaction has occurred but the amount involved is not precisely determinable, the amount shall be estimated, included in the proper accounts and where significant noted for financial statement purposes. The carrier is not required to anticipate or disclose minor items which would not appreciably affect the results of its operations or financial position.

**Sec. 2–9 Improvements, additions and betterments.**

(a) As a general rule, expenditures for additions, betterments or improvements, which increase the productive capacity of units of land, property or equipment, shall be capitalized rather than charged directly against income of the period in which incurred. Expenditures of insignificant amount related to individual projects may be expensed as incurred, rather than capitalized, provided their inclusion as individual items or when aggregated for like items encompassed by a particular program, will not distort current operating results.

(b) The costs to be capitalized shall include all costs directly incurred by reason of the program together with an allocated portion of overhead costs to the full extent overhead expenses have been responsive to the volume of capitalizable projects currently or periodically in process.

(c) When superior parts are substituted for old parts in existing units of property and equipment as an incident to normal maintenance operations where normal retirement procedures are not practicable, the excess cost of the new parts over the estimated current cost of new parts of the kind replaced shall be charged to the related property and equipment account.

**Sec. 2–10 Capitalization of interest.**

(a) The cost of operating property and equipment may include, for accounting purposes, a component for capitalized interest properly computed in accordance with the provisions of this section upon funds actually committed as equipment purchase deposits or actually used to finance construction work in progress from the date when such funds are first employed for either of these purposes to the date upon which the unit of equipment or property concerned is ready to be placed in operation: *Provided, however,* That the charging of interest on all funds thus committed or used shall be limited in both time and amount to the air carrier's reasonable requirements therefor.

(b) The cost of operating property and equipment may also include a component for interest upon all funds segregated from working capital and carried in account 1550 Special Funds—Other, in advance of the date when such funds are scheduled under a legally binding contract to be committed as bona fide deposits with an aircraft manufacturer or as sums payable to contractors for construction work: *Provided, however,* That the charging of interest upon such funds shall be limited in amount to the carrier's reasonable requirements therefor, as well as limited to a reasonable period which, in no event, shall exceed six months.

(c) In determining the amount of interest to be capitalized under the provisions of paragraphs (a) and (b) of this section 2–10, the air carrier shall utilize an interest rate which is representative of the current rate for long-term debt for such air carrier. Any interest or other earnings realized upon equipment purchase funds on deposit with, or for the account of, an aircraft manufacturer or construction contractor shall be offset against the amount of such capitalized interest. The amount of interest capitalized with respect to funds segregated prior to their actual employment as deposits or investments in construction work shall also be reduced by an amount equal to the constructive earnings on such segregated funds, to be calculated as the product of the amount of such segregated funds multiplied by the average rate of earnings on the carrier's investment in interest-bearing securities (if any) but not to exceed the actual amount of such interest earned.

(d) Interest capitalized in accordance with provisions of paragraphs (a), (b) and (c) of this section 2–10, shall be charged to balance sheet account 1689, Construction Work in Progress, and cleared to separate subaccounts of the appropriate property and equipment balance sheet account when each unit of property or equipment is placed in operation and shall be credited to profit and loss subaccount 80.1 Interest Charged to Construction—Credit. The amount capitalized shall be amortized, together with other capital costs, over the useful life of the asset as a part of depreciation expense: *Provided,* That the air carriers shall reverse all entries capitalizing interest in the event that funds segregated in advance are not ultimately used as equipment purchase deposits or on-account payments to contractors, or in the event that equipment or property for the acquisition or construction of which funds were deposited or paid on account is not actually acquired, or if the amounts on which interest has been capitalized are allowed by the Board as a part of the rate base during all or a part of the period for which interest has been capitalized.

(e) In the case of a newly certificated carrier, interest on funds actually employed prior to inauguration of services in developmental projects not covered in paragraphs (a) and (b) of this section 2–9, may be capitalized as developmental cost in accordance with the provisions of paragraph (c) of this section

2–10. Such capitalized interest shall be charged to balance sheet account 1830 Developmental and Preoperating Costs, and credited to profit and loss subaccount 80.2 Interest Charged to Development—Credit and amortized as a part of extension and development cost to profit and loss account 74 Amortization.

(f) Any capitalization of interest permitted under this regulation shall be entered in the air carrier's accounts on a current basis and may not be recorded retroactively, except that as to funds which are on deposit during the carrier's accounting year in which this regulation takes effect, interest may be capitalized from the time the funds were first so deposited.

**Sec. 2–11 Accounting for transactions in gross amounts.**

(a) All assets and liabilities shall be stated in balance sheet presentations in gross values, provided that all depreciation, provisions for uncollectible accounts and other valuation reserves shall be offset against the class of asset to which related. Amounts receivable from, and amounts payable to, associated companies and other air carriers, which are normally settled on a current basis shall be stated in gross amounts receivable and gross amounts payable. Amounts receivable from, and amounts payable to, individual associated companies which are not settled on a current basis, and are not includible in current assets or current liabilities, shall be stated in net amounts receivable or payable. Receivables from particular associated companies shall not be offset against payables to other associated companies.

(b) The cost of Treasury Certificates or other tax notes, which are to be surrendered to the United States Treasury, rather than independently sold, in satisfying Federal income tax liabilities may be offset against accrued Federal income tax liabilities provided both the gross income tax liability and the value of the tax notes are reflected on the face of the balance sheet. The offset of other government securities or other assets against Federal income tax liabilities is prohibited.

**Sec. 2–12 Acquisition and valuation of assets.**

(a) All assets shall be recorded at cost to the air carrier and shall not be adjusted to reflect changes in market value except that spare parts and materials of a class for which the accrual of reserves for loss in value may not be feasible, which have been expensed from current inventories and are recovered, may be returned to inventory at estimated value with contra credit to the expense accounts initially charged. The cost (as defined by section 03, "Cost") to be recorded shall represent the cash price of the asset acquired unless otherwise specifically provided in paragraphs (b) and (c) of this section 2–12. When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis, in accordance with the following provisions.

(b) Costs of assets charged against income by an air carrier shall not be reinstated through property exchanges, and again charged against income by another air carrier but shall be recorded by each successive user at the unrecovered cost of property given in exchange, adjusted by the amount of any additional cash or other consideration given or received. For purposes of this system of accounts, an exchange is defined as a transaction in which tangible property represents more than 75 percent of the fair market value of the total consideration. Capital gains or losses, as a matter of policy, will not be recognized in property exchanges. (See also section 5–3(e)(8).)

(c) The cost of properties obtained under a conditional sales contract shall be recorded as assets as at the date upon which delivery has been completed even though legal title remains in the vendor unless there is material uncertainty as to the complete consummation of the transaction.

**Sec. 2–13 Establishment of reserves.**

(a) Provisions for reserves covering transactions or conditions which do not diminish assets or result in demonstrable liability to the air carrier, with corresponding diminution in stockholder equity during the period over which accrued, shall not be charged against income but shall be charged directly against balance sheet account 2940 Unappropriated Retained Earnings.

(b) All reserves shall be classified in balance sheet presentations in terms of their inherent impact upon the air carrier's financial condition as either valuation of assets (offsetting the assets to which related), accrued liabilities, or appropriations of retained earnings.

(c) Provisions for self-insurance against damage to property, or other risks, may be charged against income as recurring operating expense, and credited to balance sheet account 2350 Reserve for Self-Insurance, in accordance with a plan which reflects actuarial or other reasonable measurement of risk: *Provided,* The air carrier demonstrates that the accrual rate is reasonable in terms of resulting cost level and will not, in any accounting period, inflate the operating costs above those which would result from equivalent coverage through purchased insurance. Such provisions shall be made in accordance with the instructions for balance sheet account 2350 Reserve for Self-Insurance. No provision shall be made through income charges for a retroactive initiation or adjustment of self-insurance reserves. Such reserves shall be accumulated on a forward basis only. However, the air carrier may effect an interim segregation of retained earnings through balance sheet account 2930 Appropriations of Retained Earnings. The balance of such segregation of retained earnings is to be returned to unappropriated retained earnings upon attainment of the planned level of the self-insurance reserve, accumulated through income charges. Where risks to be borne by the air carrier are reduced or eliminated, due to substitution of purchased insurance, or otherwise, the self-insurance reserve requirements shall be redetermined. Excesses in existing reserves, of material amount, over those required to cover current risks borne by the air carrier shall be accounted for as provided in balance sheet account 2350 Reserve for Self-Insurance. Material effects upon income taxes resulting from differences as between income recognized for tax and book purposes, associated with provisions for self-insurance, shall be accounted for in accordance with the instructions for balance sheet account 2340 Deferred Federal Income Taxes. Each air carrier shall file with the Civil Aeronautics Board a supplement to the CAB Form 41 report for the period in which the air carrier's policy with respect to self-insurance is first established or materially changed. This supplement shall set forth: (1) The amount of self-borne and purchased coverage, respectively, for each type of risk involving self-insurance; (2) the rates of accrual to the self-insurance reserves; (3) such other detail as may be pertinent to the plan; and (4) information necessary to establish the reasonableness of the plan in conformance with the standards prescribed by this system of accounts and reports. The rates and practices set forth in such statements shall thenceforth be used by the air carrier unless notified by the Civil Aeronautics Board, in accordance with section 22(d), that they do not meet the requirements set forth in this section 2–13.

(d) Additional reserves over those prescribed in this system of accounts may be established for the purpose of equalizing or distributing expense charges between calendar quarters of each accounting year in accordance with operations performed, in the event such expenditures are part of a specific program to which the air carrier is demonstrably committed and are of sufficient magnitude to significantly distort the financial results of the current quarter if expensed directly. Each air carrier shall submit, for approval by the Civil Aeronautics Board, a plan for each such equalization reserve which shall set forth the proposed accounting and rates of accrual. Such plans shall provide for the liquidation of each expense equalization reserve at the close of each accounting year. Equalization reserves shall not be used in respect to expenditures, the distortionary fluctuations of which spread over a cycle of longer than one year. (See section 22(d).)

**Sec. 2–14 Depreciation and amortization.**

(a) Depreciation shall be calculated by the air carrier in such manner as will prevent the charging of either excessive or inadequate expense or the accumulation of excessive or inadequate reserves, and shall be based upon a study of the air carrier's history and experience or such engineering or other information as may be available with respect to prospective future conditions and without regard to depreciation accounting practices adopted for tax purposes. Undepreciable residual values shall be established for each class of property and equipment and shall represent the fair and reasonable estimate of the recov-

erable value as of the end of the service life over which the property is depreciated. Depreciation chargeable against operations shall be limited to the actual costs incurred in the acquisition of the properties to which related. The cost of properties which are generally repaired and reused shall not upon retirement be charged against current operating expenses but, to the extent not written off in the form of depreciation, shall be treated as part of the capital gain or loss. The cost of properties of a type which are recurrently expended and replaced shall be charged to operating expenses as issued for use. However, the net charge to operating expense for any asset used, consumed or abandoned shall be limited to the difference between the cost incurred in acquisition and any related accrued depreciation.

(b) Each air carrier shall file with the Civil Aeronautics Board on or before July 1, 1960, a statement which shall clearly and completely describe for each classification of property and equipment the methods, service lives and residual values used for computing depreciation on the different subcategories of property or equipment included therein. This statement shall be sufficiently descriptive to permit a pro forma construction of the depreciation calculation of each accounting period and shall include identification of those categories depreciated on a unit basis and those categories depreciated on a group basis, as well as the mathematical bases employed for allocating applicable costs to the different accounting periods. For each new type of property or equipment acquired subsequently such a statement shall be submitted within 90 days after the property or equipment has been placed in regular service. Where changing conditions make necessary a revision or adjustment in rates of depreciation or residual values, a supplementary statement shall be attached to CAB Form 41 filed for the period in which such revisions or adjustments are made which shall clearly and completely describe the bases upon which the residual values and service lives have been revised. Retroactive adjustments in depreciation rates are in general prohibited. (See section 22(d).)

**Sec. 2–15 Contingent assets and contingent liabilities.**

Contingent assets and contingent liabilities, except as permitted by account 2930 Appropriations of Retained Earnings, shall not be included in the body of the balance sheet but shall be explained in footnotes.

**Sec. 2–16 Notes to financial statements.**

All matters which are not clearly identified in the body of the financial statements but which may influence materially interpretations or conclusions which may reasonably be drawn in regard to financial condition or earnings position shall be clearly and completely stated as footnotes to the financial statements.

## BALANCE SHEET CLASSIFICATIONS

### Section 3—Chart of Balance Sheet Accounts

| Name of account | General classification | |
|---|---|---|
| Current assets: | | |
| Cash | 1010 | |
| Special deposits | 1030 | |
| United States Government securities | 1110 | |
| Other temporary cash investments | 1120 | |
| Accounts receivable—U.S. Government | 1220 | |
| Accounts receivable—foreign governments | 1230 | |
| Accounts receivable—general traffic | 1240 | |
| Notes and accounts receivable—associated companies | 1250 | |
| Notes and accounts receivable—company personnel | 1260 | |
| Notes and accounts receivable—other | 1280 | |
| Reserve for uncollectible accounts | 1290 | |
| Flight equipment expendable parts | 1310 | |
| Obsolescence and deterioration reserves—expendable parts | 1311 | |
| Miscellaneous materials and supplies | 1330 | |
| Short-term prepayments | 1410 | |
| Other current assets | 1420 | |
| Investments and special funds: | | |
| Investments in associated companies | 1510 | |
| Advances to nontransport divisions | 1520 | |
| Other investments and receivables | 1530 | |
| Special funds—self-insurance | 1540 | |
| Special funds—other | 1550 | |
| Property and equipment | 1600–1700 | |
| | Operating | Nonoperating |
| Airframes | 1601 | 1701 |
| Aircraft engines | 1602 | 1702 |
| Aircraft propellers | 1603 | 1703 |
| Aircraft communications and navigational equipment | 1604 | 1704 |
| Miscellaneous flight equipment | 1606 | 1706 |
| Improvements to leased flight equipment | 1607 | 1707 |
| Flight equipment rotable parts and assemblies | 1608 | 1708 |
| Airframe parts and assemblies | [1] 1608.*1* | [1] 1708.*1* |
| Aircraft engine parts and assemblies | [1] 1608.*5* | [1] 1708.*5* |
| Other parts and assemblies | [1] 1608.*9* | [1] 1708.*9* |
| Flight equipment | *1609* | *1709* |
| Reserve for depreciation—airframes | 1611 | 1711 |
| Reserve for depreciation—aircraft engines | 1612 | 1712 |
| Reserve for depreciation—aircraft propellers | 1613 | 1713 |
| Reserve for depreciation—aircraft communication and navigational equipment | 1614 | 1714 |
| Reserve for depreciation—miscellaneous flight equipment | 1616 | 1716 |
| Reserve for depreciation—improvements to leased flight equipment | 1617 | 1717 |
| Reserve for depreciation—flight equipment rotable parts and assemblies | 1618 | 1718 |
| Airframe parts and assemblies | [1] 1618.*1* | [1] 1718.*1* |
| Aircraft engine parts and assemblies | [1] 1618.*5* | [1] 1718.*5* |
| Other parts and assemblies | [1] 1618.*9* | [1] 1718.*9* |
| Reserve for depreciation—flight equipment | 1619 | 1719 |
| Flight equipment airworthiness reserves | [2] 1629 | [2] 1729 |
| Passenger service equipment | 1630 | 1730 |
| Hotel, restaurant and food service equipment | 1631 | 1731 |
| Ramp equipment | 1632 | 1732 |
| Communication and meteorological equipment | 1633 | 1733 |
| Maintenance and engineering equipment | 1634 | 1734 |
| Surface transport vehicles and equipment | 1635 | 1735 |
| Furniture, fixtures and office equipment | 1636 | 1736 |
| Storage and distribution equipment | 1637 | 1737 |
| Miscellaneous ground equipment | 1638 | 1738 |
| Buildings and other improvements | 1640 | 1740 |
| Maintenance buildings and improvements | 1640.*1* | 1740.*1* |
| Other buildings and improvements | 1640.*9* | 1740.*9* |
| Ground property and equipment | *1649* | *1749* |
| Reserve for depreciation—passenger service equipment | 1650 | 1750 |
| Reserve for depreciation—hotel, restaurant and food service equipment | 1651 | 1751 |
| Reserve for depreciation—ramp equipment | 1652 | 1752 |
| Reserve for depreciation—communication and meteorological equipment | 1653 | 1753 |
| Reserve for depreciation—maintenance and engineering equipment | 1654 | 1754 |
| Reserve for depreciation—surface transport vehicles and equipment | 1655 | 1755 |
| Reserve for depreciation—furniture, fixtures and office equipment | 1656 | 1756 |
| Reserve for depreciation—storage and distribution equipment | 1657 | 1757 |
| Reserve for depreciation—miscellaneous ground equipment | 1658 | 1758 |

See footnotes at end of tables.

| Name of account | Operating | Nonoperating |
|---|---|---|
| Reserve for depreciation—buildings and other improvements | 1660 | 1760 |
| Maintenance buildings and improvements | 1660.1 | 1760.1 |
| Other buildings and improvements | 1660.9 | 1760.9 |
| Reserves for depreciation—ground property and equipment | 1669 | 1769 |
| Land | 1679 | 1779 |
| Construction work in progress | 1689 | 1789 |
| | General classification | |
| Deferred charges: | | |
| Long-term prepayments | 1820 | |
| Developmental and preoperating costs | 1830 | |
| Unamortized discount and expense on debt | 1840 | |
| Unamortized capital stock expense | 1850 | |
| Property acquisition adjustment | 1870 | |
| Other intangibles | 1880 | |
| Other deferred charges | 1890 | |
| Current liabilities: | | |
| Current notes payable | 2010 | |
| Accounts payable—general | 2020 | |
| Collections as agent—traffic | 2030 | |
| Collections as agent—other | 2040 | |
| Notes and accounts payable—associated companies | 2050 | |
| Accrued personnel compensation | 2110 | |
| Accrued vacation liability | 2120 | |
| Accrued Federal income taxes | 2131 | |
| Other accrued taxes | 2139 | |
| Dividends declared | 2140 | |
| Air travel plan liability | 2150 | |
| Unearned transportation revenue | 2160 | |
| Other current liabilities | 2190 | |
| Noncurrent liabilities: | | |
| Long-term debt | 2210 | |
| Advances from associated companies | 2240 | |
| Advances from nontransport divisions | 2245 | |
| Pension liability | 2250 | |
| Company stock purchase plan liability | 2260 | |
| Other noncurrent liabilities | 2290 | |
| Deferred credits: | | |
| Unamortized premium on debt | 2330 | |
| Deferred Federal income taxes | 2340 | |
| Reserve for self-insurance | 2350 | |
| Other deferred credits | 2390 | |
| Stockholder equity: | | |
| Preferred stock | 2820 | |
| Common stock | 2840 | |
| Capital stock subscribed and unissued | 2860 | |
| Other paid-in capital | 2890 | |
| Premium on capital stock | 2890.1 | |
| Discount on capital stock | 2890.2 | |
| Other capital stock transactions | 2890.3 | |
| Miscellaneous paid-in capital | 2890.9 | |
| Appropriations of retained earnings | 2930 | |
| Unappropriated retained earnings | 2940 | |
| Treasury stock | 2990 | |

[1] Prescribed for Group II and Group III air carriers only.
[2] At the option of the air carrier these accounts may be assigned numbers 2629 and 2729, respectively, for accounting purposes.

NOTE: Digits to right of decimals and italicized codes established for CAB control purposes only.

## Section 4—General

(a) The balance sheet accounts are designed to show the financial condition of the air carrier as at a given date, reflecting the asset and liability balances carried forward subsequent to the closing or constructive closing of the air carrier's books of account.

(b) The balance sheet accounts prescribed in this system of accounts for each air carrier group are set forth in Section 3, Chart of Balance Sheet Accounts. The balance sheet elements to be included in each account are presented in section 6 and the balance sheet groupings to be accorded each account are set forth in section 5.

## Section 5—Balance Sheet Account Groupings

### Sec. 5–1 Current assets.

(a) Include in this classification all resources which may reasonably be expected to be realized in cash or sold or consumed within one year, such as unrestricted cash, those assets that are readily convertible into cash or are held for current use in operations, and current claims against others to the extent settlement is reasonably assured, except that securities of others classified in investment and special fund accounts at date of acquisition need not be reclassified until disposition thereof.

(b) Perpetual inventories of all materials, supplies, lubricating oils, motor fuels and flight equipment expendable parts shall be maintained and shall be physically verified at least annually. Any shortage, overage, shrinkage, etc., shall be adjusted by charges or credits to the appropriate expense account.

(c) Items of general current asset characteristics which are not expected to be realized or consumed within one year may be included in this classification provided the noncurrent portion is not substantial in amount and classification as a current item will not impair the significance of working capital.

### Sec. 5–2 Investments and special funds.

(a) Include in this classification long-term investments in securities of others exclusive of United States Government securities, securities which are not readily marketable, funds set aside for specific purposes or involving restrictions preventing current use, contract performance deposits and other securities, receivables, or funds not available for current operations. Investments in United States Government securities shall be included in the current assets account group.

(b) Investments in securities of others shall be recorded at cost exclusive of amounts paid for accrued interest or dividends.

(c) Permanent impairment in the value of securities may be reflected through charges to profit and loss classification 8100 Nonoperating Income and Expense—Net.

### Sec. 5–3 Property and equipment.

(a) All investments of the air carrier in land and units of tangible property and equipment shall be included within this general classification.

(b) The cost of properties covered by conditional sales contracts shall be recorded in the appropriate property and equipment accounts of the buyer, and removed from the property and equipment accounts of the seller, as at the date on which possession is delivered to the buyer unless there is material uncertainty as to the complete consummation of the transaction.

(c) Property obtained under an agreement for lease or lease with option to purchase, not constituting a conditional sale, shall not be recorded on the books of the lessee until actual purchase, at which time the price at actual date of purchase plus leasehold improvements shall be recorded in the appropriate property and equipment accounts. A footnote to the CAB Form 41 balance sheet as at December 31 of each year shall disclose the pertinent facts related to lease agreements pursuant to section 23, Schedule B–2 Notes to Balance Sheet.

(d) The general classification "Property and Equipment" shall be subclassified as between "Operating Property and Equipment" and "Nonoperating Property and Equipment". "Operating Property and Equipment" shall encompass items used in air transportation services and services incidental thereto. "Nonoperating Property and Equipment" shall encompass investments in property and equipment not separately accounted for within a nontransport division but assigned to other than air transportation and its incidental services, and property and equipment held for future use.

(e) Operating and nonoperating property and equipment shall be accounted for separately in accordance with the following instructions:

(1) Investment in property and equipment shall be recorded at total cost including all expenditures applicable to acquisition, other costs of a preliminary nature, costs incident to placing in position and conditioning for operations, and costs of additions, betterments, improvements and modifications.

(2) The cost of additions, betterments, improvements and modifications shall

be charged to the balance sheet account in which the property or equipment to which related is carried. (See section 2–9 for applicable accounting policy.) The cost of parts and appurtenances removed, and the reserve for depreciation applicable thereto, shall be treated as for retired property and accounted for accordingly.

(3) If different classes of property and equipment chargeable to more than one property account are purchased for a single sum and the cost of each class cannot be definitely ascertained, apportionment shall be based upon the most accurate information available. If necessary, appraisals shall be made to establish the relative costs.

(4) If property and equipment is acquired as a part of a business from another air carrier through consolidation, merger, or reorganization, pursuant to a plan approved by the Civil Aeronautics Board, the costs and related depreciation reserves as carried on the books of the predecessor company at the date of transfer shall be entered by the acquiring air carrier in the appropriate accounts prescribed for recording investments in tangible assets. Any difference between the purchase price of the property and equipment acquired and its depreciated cost at date of acquisition shall be recorded in balance sheet account 1870 Property Acquisition Adjustment. Property acquired from an associated company shall also be accounted for in accordance with this paragraph unless otherwise approved by the Board.

(5) Upon disposal by sale, retirement, abandonment, dismantling, or otherwise, of equipment depreciated on a unit basis, the air carrier shall credit the accounts in which the costs related to the property or equipment are carried with the balances thereof; charge the related depreciation reserves with the balances applicable to the property disposed of; and charge the cash proceeds of the sale or the value of salvaged material to the appropriate asset accounts. Where the sales price or salvage value less the cost of dismantling differs from the costs related to the property less accrued depreciation reserves, such difference shall be recorded in the appropriate capital gain or loss accounts.

(6) Upon disposal by sale, retirement, abandonment, dismantling, or otherwise of property or equipment depreciated on a group basis, the air carrier shall credit the account in which the property or equipment is carried, and charge the related depreciation reserve with the original cost thereof, less any salvage realized, regardless of the age of the item. No gain or loss is recognized on the retirement of individual items of property or equipment depreciated on a group basis. However, the proceeds from sales of scrapped parts and assemblies, which are accumulated and sold in lots for nominal amounts and without identification of the individual items, shall be credited to profit and loss account 18 Other Incidental Revenues.

(7) If property is retired or disposed of as a result of major accident or other casualty, the costs related to such property, less accrued depreciation reserves, shall be charged to balance sheet account 1890 Other Deferred Charges pending adjustments and settlement of insurance. The resulting profit or loss, after reflecting adjustments for insurance coverage or self-insurance, shall be recorded as a capital gain or loss or as a credit or debit to the applicable self-insurance reserve, as appropriate. If the air carrier has no option but to accept replacement by an equivalent unit, the book cost and accrued depreciation reserves applicable to the unit disposed of shall be assigned to the new property or equipment. Where the air carrier has the option in settlement to select between replacement in kind and cash or its equivalent, the air carrier shall account for the property or equipment disposed of in accordance with subparagraph (5) or (6) of this section 5–3(e). Any property or equipment purchased in replacement shall be recorded pursuant to subparagraph (1) of this section 5–3(e).

(8) When property and equipment owned by the air carrier is applied as part payment of the purchase price of new property and equipment, the new property and equipment shall be recorded at its full purchase price provided an excessive allowance is not made for assets traded in, in lieu of price adjustments or discounts on the purchase price of assets acquired. The difference between the depreciated cost of assets applied as payment and the amount allowed therefor shall be treated as retirement gain or loss. When used tangible property is exchanged for other used tangible property and no other form of consideration is involved, the book cost less related depreciation reserves of the property given in exchange shall be assigned to the property received. When the consideration consists of both cash or its equivalent and tangible property, and the cash or its equivalent is less than 25 percent of the fair market value of the total consideration, the entire transaction is to be treated as an exchange of property. The cost of the properties received by each party shall be the book cost less related depreciation reserves of the properties given in exchange, plus or minus the cash, or the cash value of any other consideration, paid or received. Capital gain or loss is not to be recorded on the books of either party, except to the extent that the additional cash or other consideration received exceeds the depreciated book cost of the properties given. When the additional cash, or the cash value of other consideration, is at least 25 percent of the fair market value, the transaction shall be treated as a purchase and sale. The property received by each party shall be entered on the books at its fair market value and the net increase or decrease in asset values resulting from the transaction shall be treated as capital gain or loss.

(9) The cost of property and equipment acquired shall, upon acquisition, be recorded in the appropriate classification specifically established for such property and equipment; provided, that when operating property and equipment acquired requires conditioning or modification before placing in air transport or its incidental services, the cost thereof and related conditioning and modification costs shall be accumulated in balance sheet account 1689 Construction Work in Progress. The total accumulated cost shall be transferred to the appropriate operating property and equipment account coincidently with the placing of the property and equipment into regular air transport or incidental services.

(10) When operating property or equipment is retired from air transportation or incidental operations and retained by the air carrier, its cost, together with applicable depreciation reserves, shall be transferred to balance sheet classification 1700 Nonoperating Property and Equipment. If property is transferred for exclusive use of nontransport divisions, the cost less related depreciation reserves shall be recorded in balance sheet account 1520 Advances to Nontransport Divisions.

(11) The air carrier shall maintain property and equipment records setting forth the description of all property and equipment recorded in balance sheet classifications 1600 and 1700 Property and Equipment. With respect to each unit or group of property or equipment, the record shall show the date of acquisition, the original cost, the cost of additions and betterments, the cost of parts retired, rates of depreciation, residual values not subject to depreciation, and the date of retirement or other disposition.

(12) Property and equipment loaned, in the custody of, or consigned to the air carrier without a purchase obligation, shall not be recorded in the same manner as similar classes or types of property purchased by the air carrier. The property and equipment accounts shall not be charged with the value of such property, and liability accounts shall not be established: *Provided, however,* That appropriate memoranda accounts may be maintained.

(13) Charges to the accounts prescribed in section 6 shall be made upon the basis of functions performed without regard to the location at which the equipment or property is installed or placed.

(14) Objective accounts shall be maintained for each class of property and equipment in accordance with the instructions set forth in section 6.

**Sec. 5–4 Property and equipment depreciation and overhaul.**

(a) The balance sheet classification "depreciation reserves" shall include the accumulation of all provisions for losses occurring in property and equipment from use and obsolescence. For example, it shall include reserves for depreciation established to record current lessening in service value due to wear and tear from use and the action of time and the elements, as well as losses in capacity for use or service occasioned by obsolescence, supersession, discoveries, change in popular demand, or the requirement of public authority. Residual values and rates for accrual of depreciation shall be calculated to prevent charging excessive or inadequate

all airframe and engine types for which

abandonment, dismantling, or otherwise of property or equipment depreciated on allowed therefor shall be treated as retirement gain or loss. When used sheet classification 1700 Nonoperating depreciation shall be calculated to pre-





vent charging excessive or inadequate expense or the accumulation of inadequate or excessive reserves.

(b) Depreciation chargeable against operations shall be calculated from the date on which a building, structure, or unit of property is placed in or contributes to regular service and shall cease on the date such property is withdrawn from service by reason of sale, retirement, abandonment, or dismantling, or when the difference between the cost and residual value shall have been charged to expense.

(c) Property for which depreciation shall not be chargeable against operations shall include (1) land owned or held in perpetuity, and (2) expenditures on uncompleted units of property and equipment during the process of construction or manufacture.

(d) Rates of depreciation and undepreciable residual values applied to each class of depreciable property and equipment shall be calculated to distribute the estimated depreciable cost to operating expense accounts and other accounts over the estimated service life of the property and equipment in such manner as will prevent the charging of either excessive or inadequate expense or the accumulation of excessive or inadequate reserves (see section 2–14(a)) and fully recognize the extent to which all expenditures attaching to property and equipment are otherwise recoverable through income charges and disposal proceeds.

(e) Adjustments in rates of depreciation occasioned by changing conditions shall be applied in accordance with the general policies set forth in section 2–14.

(f) Each air carrier shall adopt procedures of accounting for airframe and aircraft engine overhauls as will effectively result in the allocation of total maintenance expense between accounting periods in accordance with the use of airframes and aircraft engines. When overhauls are scheduled in such a manner as will produce a relatively equitable allocation of maintenance costs between accounting periods, the cost of each overhaul may be expensed directly as performed. Under circumstances in which overhaul procedures are such that the direct expensing of overhaul costs will not result in an equitable allocation of total maintenance costs as between different accounting periods the air carrier shall apply, consistently with respect to all airframe and engine types for which direct expensing of overhaul costs will not effectively produce an equitable allocation of cost, the accounting procedures set forth in paragraph (g) of this section 5–4. For the purposes of this system of accounts and reports, an airframe or aircraft engine "overhaul" shall be deemed to encompass the total of those inspections or replacements of major components performed in piecemeal phases, or in one operation, as are required to be performed at specified maximum periodic intervals by the Civil Air Regulations to recertify that airframes or aircraft engines are in a completely airworthy condition. Costs which attach to the routine replacement of minor parts and servicing or inspection of airframes and aircraft engines, performed on a recurrent but not scheduled basis, or on a scheduled basis without withdrawal from line service, to maintain airframes and aircraft engines in an operating condition, shall not be considered to be "overhauls" but shall be expensed directly as ordinary recurrent maintenance. Extraordinary costs of material amounts associated with the renewal of major structural parts of airframes and aircraft engines beyond the scope of normal periodic overhauls, or which are incurred at periodic intervals approximating the depreciable service life of the airframe and aircraft engine types to which related, shall not be considered to be overhauls. Such costs shall be accounted for as restoration of assets chargeable to the related property account. The cost of components removed, together with related depreciation reserves, shall be treated as retired property and accounted for accordingly. In the event identification of the cost of the components removed is not feasible, the costs entailed in substituting components may be charged against the related depreciation reserves.

(g) The accounting procedures in this paragraph (g) shall be observed as a consistent practice with respect to all airframe or aircraft engine types for which the direct expensing of overhaul costs will not effectively produce an equitable allocation of costs between accounting periods in accordance with the use of airframes or aircraft engines:

(1) With respect to owned airframes or aircraft engines, profit and loss account 72 Flight Equipment Airworthiness Provisions shall be charged each quarterly accounting period and balance sheet account 1629 Flight Equipment Airworthiness Reserves shall be concurrently credited with recurrent provisions for all costs associated with overhauls, which are not otherwise recurrently expensed and are necessary to place overhaul costs on a full accrual basis. Separate subaccounts shall be established for recording reserves accumulated with respect to airframes and aircraft engines, respectively. That portion of the recurrent charges representing provisions for labor, materials and outside overhaul costs shall be entered in profit and loss account 5272. That portion representing provisions for maintenance burden shall be entered in profit and loss account 5372.

(2) When overhauls are performed, the related cost of labor, materials, outside overhauls, and maintenance burden shall be charged against the applicable flight equipment airworthiness reserve. Profit and loss account 5272 Flight Equipment Airworthiness Provisions shall be concurrently credited with the applicable costs of labor, materials and outside overhauls. Profit and loss account 5372 Flight Equipment Airworthiness Provisions shall be concurrently credited with the cost of applicable maintenance burden. The cost of each overhaul shall also be charged to the applicable direct maintenance and maintenance burden objective accounts as incurred and appropriate asset or liability accounts shall be concurrently credited.

(3) When improvements or betterments of either owned or leased airframes or aircraft engines are effected in conjunction with overhauls of such property, the costs related to such improvements or betterments shall be charged to the appropriate asset accounts.

(4) Provisions for overhauls of leased airframe and aircraft engines shall be charged to the applicable airworthiness provision expense account. To the extent the air carrier is obligated to return the property to the lessor in an overhauled condition, an appropriate subaccount of balance sheet account 2190 Other Current Liabilities or an appropriate subaccount of balance sheet account 2290 Other Noncurrent Liabilities shall be credited. Upon the performance of overhauls, the applicable costs incurred in liquidating any liability for overhaul of leased property shall be charged to the appropriate liability account. Upon settlement with the lessor, any remaining liability shall be transferred along with associated improvements and related depreciation reserves to profit and loss account 81 Capital Gains and Losses. Except as provided in this subparagraph, the accounting to be observed with respect to leased airframes and aircraft engines shall conform with those prescribed with respect to owned airframes and aircraft engines.

(5) Upon retirement of owned airframes or aircraft engines the applicable flight equipment airworthiness reserves shall be transferred, along with the cost and related depreciation reserves of the property retired, to profit and loss account 81 Capital Gains and Losses. However, under circumstances in which the air carrier does not, as a consistent practice, exclude from depreciable cost an amount equivalent to the cost of an overhaul, in addition to the normal residual value, the related flight equipment airworthiness reserve shall be transferred, upon retirement of the applicable flight equipment, to profit and loss account 72 Flight Equipment Airworthiness Provisions; the reserve so transferred shall be associated in amount with the property retired and the amount so transferred shall be clearly identified with account 72 Flight Equipment Airworthiness Provisions on CAB Form 41 Schedule B–8.

(6) Provisions for overhauls of airframes or aircraft engines may be made upon either a unit basis or a group basis. In either case, the accrual rates shall be based on representative experienced and anticipated overhaul costs per hour flown between overhauls for each airframe or aircraft engine type. The rates for new types of airframes or aircraft engines may be based upon parallel experience or upon such engineering or other information as may be available. Rates for direct costs and related maintenance burden provisions, respectively, shall be recalculated at the close of each fiscal year, at least, and the applicable reserve or liability adjusted accordingly, on the basis of hours flown since last overhaul, by charges or credits to the applicable airworthiness provisions expense account. When reserves or liabilities for overhaul are first estab-

lished the provisions for hours expired from the beginning of the overhaul cycle as of the close of the next previous fiscal year, computed on the same basis as for the current fiscal year, shall be charged to the applicable airworthiness provisions expense account. When material amounts are involved, profit and loss account 96 Special Income Credits and Debits (Net) shall be charged.

(7) Material effects upon income taxes resulting from differences as between income recognized for tax and book purposes, associated with accruals to airframe or aircraft engine airworthiness reserves, shall be accounted for in accordance with the instructions for balance sheet account 2340 Deferred Federal Income Taxes.

(8) Each air carrier shall submit a statement by July 1, 1960 fully describing its plans of accounting for airframes and aircraft engine overhauls and thereafter as a supplement to the CAB Form 41 for the period in which such accounting is first established or revised. Revisions in the plans submitted shall be considered as having been approved unless otherwise notified in writing within 30 days after the date received. The required statement shall indicate for each airframe and aircraft engine type whether the costs of overhauls related thereto are as a matter of consistent practice expensed directly or accounted for on an accrual basis. If expensed directly, the statement shall include a factual demonstration that such accounting practice results in an equitable apportionment of costs between different accounting periods in accordance with the use of airframes or aircraft engines and does not produce periodic peaks in maintenance costs in one accounting year which are properly applicable to operations performed in other accounting years. If accounted for on an accrual basis the statement shall indicate separately the rates at which the direct cost and maintenance burden provisions are being accumulated; whether provisions are effected on a unit basis or a group basis; the hours over which reserves or liabilities are being accumulated; and whether differences in income tax expenses associated with differences in financial accounting and tax practices for overhaul are deferred as a consistent practice. The statement shall also provide a factual demonstration of the overhaul cost and hours realized between overhauls over previous representative periods or other factors upon which the rates are based.

**Sec. 5–5 Deferred charges.**

(a) Include in this classification all debit balances in general clearing accounts including charges held in suspense pending receipt of information necessary for final disposition, prepayments chargeable against operations over a period of years, capitalized expenditures of an organizational or developmental character, property acquisition adjustments, and the cost of patents, copyrights and miscellaneous intangibles.

(b) Deferred charges having a definite time incident shall be amortized over the periods to which they apply. Each air carrier shall file as a supplement to the CAB Form 41 report for the period during which property acquisition adjustments, developmental and preoperating costs, and other intangibles are first capitalized, a statement setting forth a description of the amounts capitalized and the monthly rates at which it proposes to amortize such costs. The plan set forth in this statement shall thenceforth be followed by the air carrier, unless directed otherwise by the Civil Aeronautics Board. (See section 22(d).)

**Sec. 5–6 Current liabilities.**

Include in this classification all debts or obligations the liquidation or payment of which is reasonably expected to require the use, within one year, of existing resources of a type which are properly classifiable as current assets, or the creation of other current liabilities. Current liabilities shall include payables incurred in the acquisition of materials, collections received in advance of performance of services, debts accruing from expenses incurred from operations and other liabilities that are regularly and ordinarily subject to current liquidation.

**Sec. 5–7 Noncurrent liabilities.**

(a) This classification shall include all debts or obligations the liquidation or payment of which is not reasonably expected to require the use within one year of existing resources of a type which are properly classifiable as current assets, or the creation of current liabilities. Noncurrent liabilities shall include mortgages, bonds and debentures maturing more than one year from the date of the balance sheet and other obligations not payable within 12 months. It shall reflect the principal amount or par value of debt securities issued or other long-term debt assumed by the air carrier. Discount and expense on long-term debt shall be recorded in the Deferred Charges balance sheet group. Premiums on long-term debt shall be recorded in the Deferred Credits balance sheet account group.

(b) In cases where debt coming due within 12 months is to be refunded, or where payment is to be made from assets of a type not properly classifiable as current, the amount payable shall not be removed from this classification.

(c) Gains or losses on liquidation of bonds, debentures or other debt securities of the air carrier shall be entered in profit and loss classification 8100 Nonoperating Income and Expense—Net. Gains and losses or adjustments to liabilities accrued from expenses incurred in operations shall be entered in the expense accounts initially charged.

**Sec. 5–8 Deferred credits.**

(a) Include in this classification all credit balances in general clearing accounts including credits held in suspense pending receipt of information necessary for final disposition and premiums on long-term debt securities of the air carrier.

(b) Deferred credits having a definite time incidence shall be amortized over the periods to which they apply.

**Sec. 5–9 Stockholder equity.**

(a) This general classification shall include all items which record the aggregate interests of holders of the air carrier's stock in assets owned by the air carrier.

(b) The general classification "Stockholder Equity", shall be subdivided between that portion representing direct contributions of the stockholders, or "Paid-In Capital", that portion representing income retained from the operation of the air carrier, or "Retained Earnings", and that portion, "Treasury Stock", representing the cost to the air carrier of capital stock issued by the air carrier which has been reacquired and is held for disposition.

(c) The "Paid-In Capital" classification shall be subdivided between "Capital Stock", which shall include the par or stated value of capital stock issued or the cash value of the consideration actually received in case of stock having no par or stated value, and "Other Paid-In Capital", which shall include the excess (premium) or deficiency (discount) of the cash value of the consideration received from the issue of any capital stock having par or stated value, donations by stockholders, adjustments of capital resulting from reorganization or recapitalization, and gains or losses from reacquisition and resale or retirement of the air carrier's capital stock.

(d) The records supporting the entries in the accounts included in the "Other Paid-In Capital" balance sheet classification shall be maintained with sufficient particularity to identify amounts applicable to each series and class of stock affected.

(e) Discount applicable to a particular class or series of capital stock shall not be offset against premiums applicable to another class or series of capital stock. At the option of the air carrier discount applicable to a particular class or series of stock may be offset against premiums related to that class or series of stock.

(f) Gains or losses arising from the reacquisition and resale or retirement of the air carrier's capital stock shall be credited or debited, as appropriate, to that portion of "Other Paid-In Capital" which relates to the particular series and class of capital stock resold or retired.

(g) The "Retained Earnings" balance sheet classification shall reflect the balance of net profits, income, and gains of the air carrier from the date of incorporation after deducting losses, and distributions to stockholders. In cases where a deficit has been absorbed by a reduction of "Other Paid-In Capital" as a result of a restatement of capital stock or retained earnings, a new retained earnings account shall be established, dated to show that it runs from the effective date of the restatement and this dating shall be disclosed in financial statements until such time as the effective date no longer possesses special significance.

for overhaul are deferred as a consistent practice. The statement shall also provide for the amortization of the cost of such items over the period of time estimated to elapse between the date of payment of which is not reasonably expected to require the use within one year from the balance sheet date no longer possesses special significance.

Earnings", and that portion, "Treasury Stock", representing the cost to the air

### Section 6—Objective Classification of Balance Sheet Elements

#### CURRENT ASSETS

**1010 Cash.**

(a) Record here all general and working funds available on demand as of the date of the balance sheet which are not formally restricted or earmarked for specific objectives. Funds deposited for special purposes which are to be satisfied within one year shall be included in account 1030 Special Deposits and funds restricted as to general availability, which are not offset by current liabilities, shall be included in account 1550 Special Funds—Other.

(b) Each air carrier shall subdivide this account in such manner that the balance can be readily segregated as between balances in United States currency and the balances in each foreign currency.

**1030 Special Deposits.**

Record here funds or securities deposited with fiscal agents or others for payment of current obligations. Deposits for more than one year, not offset by current liabilities, shall not be included in this account but in account 1550 Special Funds—Other.

**1110 United States Government Securities.**

Record here the cost of United States Government securities. This account shall be charged or credited for discount or premium to be amortized to profit and loss account 83 Interest Income.

**1120 Other Temporary Cash Investments.**

Record here the cost of securities and other collectible obligations acquired for the purpose of temporarily investing cash, other than those issued by the United States Government or associated companies. This account shall be charged or credited for discount or premium to be amortized to profit and loss account 83 Interest Income.

**1220 Accounts Receivable—U.S. Government.**

Record here amounts due on open account with the United States Government. The balances in this account shall be maintained in such fashion as will clearly and separately identify service mail pay receivables, subsidy receivables and other than mail transportation receivables.

**1230 Accounts Receivable—Foreign Governments.**

Record here amounts due on open account with foreign governments.

**1240 Accounts Receivable—General Traffic.**

(a) Record here amounts due for the performance of air transportation, except those due from the United States and foreign governments and associated companies, includible in balance sheet accounts 1220 Accounts Receivable—U.S. Government, 1230 Accounts Receivable—Foreign Governments, and 1250 Notes and Accounts Receivable—Associated Companies. This account shall include gross amounts due whether settled through airline clearing houses or with individual carriers.

(b) Amounts payable, includible in account 2030 Collections as Agent—Traffic shall not be credited to this account.

**1250 Notes and Accounts Receivable—Associated Companies.**

Record here gross amounts due from associated companies including traffic accounts receivable, which are settled currently. Balances payable to associated companies shall not be offset against amounts carried in this account. Balances with associated companies which are not normally settled currently shall not be included in this account but in balance sheet account 1510 Investments in Associated Companies.

**1260 Notes and Accounts Receivable—Company Personnel.**

Record here amounts due from officers and employees of the air carrier.

**1280 Notes and Accounts Receivable—Other.**

Record here notes receivable and accounts due from others, which are to be settled currently, not provided for in accounts 1220 to 1260, inclusive.

**1290 Reserve for Uncollectible Accounts.**

(a) Record here accruals for estimated losses from uncollectible accounts.

(b) All accounts against which reserves have been established shall be examined at least annually for the purpose of redetermining the basis of accruals to be applied to subsequent accounting periods and the reasonableness of reserves already provided.

**1310 Flight Equipment Expendable Parts.**

(a) Record here the cost of flight equipment replacement parts of a type which ordinarily would be recurrently expended and replaced rather than repaired and reused. The cost of rotable parts and assemblies of material value which ordinarily are repaired and reused and possess a service life approximating that of the primary property types to which related shall not be recorded in this account but in balance sheet account 1608 Flight Equipment Rotable Parts and Assemblies. For purposes of identifying rotable parts and assemblies of insignificant unit value which may be included in this account, a reasonable maximum unit value limitation may be established.

(b) Costs paid by the air carrier such as transportation charges and customs duties; excise, sales, use and other taxes; special insurance; and other charges applicable to the cost of flight equipment expendable parts shall be charged to this account when they can be definitely allocated to specific items or units of property. If such costs cannot be so allocated, or if of minor significance in relation to the cost of such property, the amounts thereof may be charged to balance sheet account 1890 Other Deferred Charges, and cleared either by a suitable "loading charge" as the parts are used or by current charges to appropriate expense or property accounts: *Provided,* That the method of application does not cause material distortion in operating expenses from one accounting period to another.

(c) Reusable parts recovered in connection with construction, maintenance, or retirement of property and equipment shall be included in this account at fair and reasonable values but in no case shall such values exceed original cost. Recoveries of normally repairable and reusable parts of a type for which losses in value may be covered on a practical basis through valuation reserve provisions shall be included in this account on an original cost basis. Scrap and nonusable parts, expensed from this account and recovered, shall be included at net amounts realizable therefrom with contra credit to the expense accounts initially charged.

(d) Any losses sustained or gains realized upon the abandonment or other disposition of flight equipment expendable parts shall be taken up as capital gains or losses in the periods in which sustained or realized. (See balance sheet account 1311.)

(e) Items in this account shall be charged to appropriate expense accounts as issued for use. Profit and loss on sales of inventory items as a routine service to others shall be included in profit and loss accounts 14 General Service Sales—Associated Companies, or 16 General Service Sales—Outside, and the parts sold shall be removed from this account at full cost.

(f) Subaccounts shall be established within this account for the separate recording of each class or type of flight equipment expendable repair parts.

**1311 Obsolescence and Deterioration Reserves—Expendable Parts.**

(a) Accruals shall be made to this account when reserves are established for losses in the value of expendable parts. The accruals to this account shall be made by charges to profit and loss account 73 Provisions for Obsolescence and Deterioration—Expendable Parts. Records shall be maintained in sufficient detail to permit association of the reserves with each class or type of expendable parts.

(b) The accruals to this account shall be based upon a predetermination by the air carrier of that portion of the total inventory of each class and type of expendable parts against which a reserve for loss is to be accrued. Expendable parts issued for use in operations shall be charged to operating expenses as issued and shall not be charged to this account. If at the end of any calendar year the amount of the reserve exceeds the product of the applicable inventory for the year determined consistently on a year-end or average basis, and the sum of the standard percentage accrual rates for all prior years including the current, the reserve shall be adjusted downward by the amount of the excess. Such adjustments shall be charged to this account and credited to profit and loss account 73 Provisions for Obsolescence and Deterioration—Expendable Parts.

(c) Where changing conditions necessitate a revision or adjustment in rates of accrual, such revision or adjustment shall be made applicable to current and subsequent accounting periods and shall not be applied retroactively to prior accounting periods. Following retirement of airframe or aircraft engine types to which related, any balance remaining in this account shall be offset against related balances carried in balance sheet account 1310 Flight Equipment Expendable Parts and the net cleared to profit and loss account 81 Capital Gains and Losses.

(d) A statement shall be filed with the Civil Aeronautics Board prior to the establishment or revision of reserves for obsolescence and deterioration of expendable parts. This statement shall indicate for each class or type of parts the predetermined level of the inventory against which a reserve is being accrued and shall fully explain the bases of the estimated losses and the rate of reserve accrual. No obsolescence and deterioration reserves shall be established, or revised without notice to the Civil Aeronautics Board.

**1330 Miscellaneous Materials and Supplies.**

(a) Record here the cost of unissued and unapplied materials and supplies, including motor fuels and lubricating oils, held in stock such as unissued shop materials, expendable tools, stationery and office supplies, passenger service supplies, and restaurant and food service supplies.

(b) This account shall not include flight equipment replacement parts. Such items shall be recorded, as appropriate, in balance sheet account 1310 Flight Equipment Expendable Parts or 1608 Flight Equipment Rotable Parts and Assemblies.

(c) Materials and supplies held in small supply and purchased currently may be charged to appropriate expense accounts when purchased. Costs paid by the air carrier such as transportation charges and customs duties; excise, sales, use and other taxes; special insurance; and other charges applicable to the cost of materials and supplies shall be charged to this account when they can be definitely allocated to specific items or units of property. If such costs cannot be allocated, or if of minor significance in relation to the cost of such property, the amounts thereof may be charged to balance sheet account 1890 Other Deferred Charges, and cleared either by a suitable "loading charge" as the parts are used or by current charges to appropriate expense or property accounts: *Provided,* That the method of application does not cause material distortion in operating expenses from one accounting period to another.

(d) Reusable materials and supplies recovered in connection with the construction, maintenance, or retirement of property and equipment shall be included in this account at fair and reasonable values but in no case shall such values exceed original cost. Scrap and nonusable materials and supplies, expensed from this account and recovered, shall be included at net amounts realizable therefrom with contra credit to the expense accounts initially charged.

(e) A reserve for inventory adjustment applicable to materials and supplies is prohibited. Items in this account shall be charged to appropriate expense accounts as issued for use. Profit and loss on sales of inventory items as a routine service to others shall be included in profit and loss account 14 General Service Sales—Associated Companies or 16 General Service Sales—Outside.

(f) Subaccounts shall be established within this account for the separate recording of each class or type of miscellaneous materials and supplies.

**1410 Short-Term Prepayments.**

Record here prepayments of obligations which if not paid in advance would require the expenditure of working capital within one year, such as prepaid rent, insurance, taxes, interest, etc. Unexpired insurance and miscellaneous prepayments applicable to periods extending beyond one year where significant in amount shall be charged to balance sheet account 1820 Long-Term Prepayments.

**1420 Other Current Assets.**

Record here current assets not provided for in balance sheet accounts 1010 to 1410, inclusive.

INVESTMENTS AND SPECIAL FUNDS

**1510 Investments in Associated Companies.**

Record here net investments in associated companies together with advances, loans, and other amounts not settled currently. Balances receivable from and payable to different associated companies shall not be offset.

**1520 Advances to Nontransport Divisions.**

(a) Record here investments in and advances (including amounts due on open accounts) to nontransport divisions for which separate records and books of account are maintained.

(b) Three subaccounts shall be maintained for each nontransport division: (1) net investment; (2) current net profit or loss; and (3) current accounts receivable or payable between the air carrier and the nontransport division.

(c) Each nontransport division shall be accounted for separately in net amounts receivable which shall be included in this account or net amounts payable which shall be included in balance sheet account 2245 Advances From Nontransport Divisions.

**1530 Other Investments and Receivables.**

Record here notes and accounts receivable not due within one year and investments in securities issued by others. Securities held as temporary cash investments shall not be included in this account but in either balance sheet account 1110 United States Government Securities or 1120 Other Temporary Cash Investments as appropriate. Investments in and receivables from associated companies which are not settled currently shall be included in balance sheet account 1510 Investments in Associated Companies.

**1540 Special Funds—Self-Insurance.**

Record here funds segregated as part of a plan for the operation of a reserve for self-insurance.

**1550 Special Funds—Other.**

Record here special funds not of a current nature and restricted as to general availability, except funds for uninsured losses. Include items such as sinking funds, cash and securities posted with courts of law, employee's funds for purchase of capital stock, pension funds under the control of the air carrier and equipment purchase funds. Funds for uninsured losses shall be included in balance sheet account 1540 Special Funds—Self-Insurance.

OPERATING PROPERTY AND EQUIPMENT

**1601 Airframes.**

(a) Record here the total cost to the air carrier of airframes of all types and classes, as provided in Section 5–3, together with the full complement of instruments, appurtenances and fixtures comprising complete airframes including accessories necessary to the installation of engines and flight control and transmission systems, except as specifically provided otherwise in accounts 1602 to 1607, inclusive and excluding main and tail rotor heads of rotary wing aircraft.

(b) Airframes designed to permit multiple payload configurations shall be recorded in this account at the total cost of the maximum complement of instruments, appurtenances and fixtures used in the air carrier's operations.

**1602 Aircraft Engines.**

Record here the total cost to the air carrier of complete units of aircraft engines of all types and classes, as provided in Section 5–3, together with a full complement of accessories, appurtenances, parts and fixtures comprising fully assembled engines as delivered by the engine manufacturer ready for operation in test but without the accessories necessary to its installation in airframes.

**1603 Aircraft Propellers.**

Record here the total cost to the air carrier of installed aircraft propellers and rotary wing aircraft rotors, and other similar assemblies, of all types and classes, pursuant to section 5–3. Values recorded in this account shall not be changed with the substitution of parts and assemblies except as provided by section 5–3(e)(2).

**1604 Aircraft Communications and Navigational Equipment.**

Record here the total cost to the air carrier of installed airborne communications and electronic navigational equipment, and other similar assemblies, of all types and classes pursuant to section 5–3. Values recorded in this account shall not be changed with the substitution of parts and assemblies except as provided by section 5–3(e)(2).

**1606 Miscellaneous Flight Equipment.**

Record here the total cost to the air carrier of complete units of miscella-

neous airborne flight equipment of all types and classes, not otherwise provided for in accounts 1601 through 1604, inclusive, as provided in section 5–3, such as miscellaneous flight crew equipment, life rafts, etc.

**1607 Improvements to Leased Flight Equipment.**

Record here the total cost to the air carrier incurred in connection with modification, conversion or other improvements to leased flight equipment, as provided in section 5–3.

**1608 Flight Equipment Rotable Parts and Assemblies.**

(a) Record here the total cost to the air carrier of all spare instruments, parts, appurtenances and subassemblies related to the primary components of flight equipment units provided for in balance sheet accounts 1601 through 1607, inclusive, as provided in section 5–3. This account shall include all parts and assemblies of material value which are rotable in nature, are generally reserviced or repaired, are used repeatedly and possess a service life approximating that of the property type to which they relate. Items of an expendable nature which generally may not be repaired and reused, shall not be recorded in this account but in account 1310 Flight Equipment Expendable Parts. Except for recurrent service sales, flight equipment parts recorded in this account shall be accounted for in accordance with the instructions related to property and equipment generally and shall not be charged to operating expense as retired. Profit or loss on sales of parts as a routine service to others shall be included in profit and loss account 14 General Service Sales—Associated Companies, or 16 General Service Sales—Outside, and parts sold shall be removed from this account at full cost irrespective of any reserve for depreciation which has been provided.

(b) This account shall be subdivided as follows by Group II and Group III air carriers:

1608.*1* Airframe Parts and Assemblies.
1608.*5* Aircraft Engine Parts and Assemblies.
1608.*9* Other Parts and Assemblies.

*1609 Flight Equipment.*

This classification is established only for purposes of control by the Civil Aeronautics Board and shall reflect the total cost of property and equipment of all types and classes used in the in-flight operations of aircraft.

**1619 Reserve for Depreciation—Flight Equipment.**

(a) Record in accounts 1611 through 1618, inclusive, accruals for depreciation of flight equipment as provided in section 5–4.

(b) As set forth in section 3, Chart of Balance Sheet Accounts, separate accounts shall be established for depreciation reserves to parallel balance sheet accounts 1601 through 1608 established for recording the cost of flight equipment.

**1629 Flight Equipment Airworthiness Reserves.**

(a) Record here accumulated provisions for overhauls of flight equipment as provided in section 5–4 (f) and (g).

(b) Separate subaccounts shall be established for recording accumulated provisions related to each type of airframe and aircraft engine, respectively.

NOTE: At the option of the air carrier the number "2629" may be assigned to this account for accounting purposes. However, for purposes of reporting on CAB Form 41, the balance in this account shall be reported under account "1629".

**1630 Passenger Service Equipment.**

Record here the total cost to the air carrier of full complements of equipment assigned to aircraft or active line operations as opposed to items held in stock for servicing passengers, as provided in section 5–3, such as broilers, beetleware, dishes, food boxes, thermos jugs, blankets, first aid kits, etc. Spare items shall be carried in balance sheet account 1330 Miscellaneous Materials and Supplies and shall be charged directly to expense upon withdrawal from stock for replacing original complements.

**1631 Hotel, Restaurant and Food Service Equipment.**

Record here the total cost to the air carrier of all types and classes of equipment used in restaurants and kitchens, as provided in section 5–3.

**1632 Ramp Equipment.**

Record here the total cost to the air carrier of equipment of all types and classes, as provided in section 5–3, used in enplaning and handling traffic and in handling aircraft while on ramps, including motorized vehicles used in ramp service. Classes of equipment used interchangeably between handling aircraft on ramps and in maintaining aircraft may be classified in accordance with normal predominant use.

**1633 Communication and Meteorological Equipment.**

Record here the total cost to the air carrier of non-airborne equipment of all types and classes, as provided in section 5–3, used in meteorological and communication services which is not a part of buildings.

**1634 Maintenance and Engineering Equipment.**

Record here the total cost to the air carrier of equipment of all types and classes, as provided in section 5–3, including motorized vehicles used in engineering and drafting services and in maintaining, overhauling, repairing and testing other classes of property and equipment. Classes of equipment used interchangeably between handling aircraft on ramps and in maintaining aircraft may be classified in accordance with normal predominant use.

**1635 Surface Transport Vehicles and Equipment.**

Record here the total cost to the air carrier of property and equipment of all types and classes, as provided in section 5–3, used in ground and marine transportation services. This account shall not include motorized vehicles or equipment used primarily in loading and servicing aircraft or in maintaining aircraft, which motorized vehicles or equipment shall be classified in accordance with predominant use.

**1636 Furniture, Fixtures and Office Equipment.**

Record here the total cost to the air carrier of furniture, fixtures and office equipment of all types and classes, wherever used or located, as provided in section 5–3.

**1637 Storage and Distribution Equipment.**

Record here the total cost to the air carrier of property and equipment of all types and classes, as provided in section 5–3, used in storing and distributing fuel, oil and water, such as fueling trucks, tanks, pipe lines, etc.

**1638 Miscellaneous Ground Equipment.**

Record here the total cost to the air carrier of ground equipment of all types and classes, as provided in section 5–3 (not provided for in balance sheet accounts 1630 through 1637, inclusive) such as medical, photographic, and employee's training equipment, and airport and airway lighting equipment.

**1640 Buildings and Other Improvements.**

Record here the total cost to the air carrier of buildings, structures and equipment and related improvements, both owned and leased, as provided in section 5–3. Each air carrier shall maintain the following subaccounts in which the values fairly assignable to maintenance and other operations shall be separately recorded:

1640.*1* Maintenance Buildings and Improvements.
1640.*9* Other Buildings and Improvements.

*1649 Ground Property and Equipment.*

This classification is established only for purposes of control by the Civil Aeronautics Board and shall reflect the total cost of property and equipment of all types and classes other than flight equipment, land, and work in progress.

**1669 Reserves for Depreciation—Ground Property and Equipment.**

(a) Record in accounts 1650 through 1660, inclusive, accruals for depreciation of ground property and equipment as provided in section 5–4.

(b) As set forth in section 3, Chart of Balance Sheet Accounts, separate accounts shall be established for depreciation reserves which parallel balance sheet accounts 1630 through 1640, established for recording the cost of ground property and equipment.

**1679 Land.**

Record here the initial cost and the cost of improving land, as provided in section 5–3.

**1689 Construction Work in Progress.**

(a) Record here the direct and indirect costs to the air carrier accumulated to the date of the balance sheet in connection with constructing and ready-

ing for installation in operations, for property and equipment of all types and classes as provided in section 5–3. Where properly includible in the property and equipment classification, record here also the accumulated costs for uncompleted overhauls of airframes, aircraft engines, or other material units of property.

(b) At the option of the air carrier this account may be used as a clearing account for recording the cost of property and equipment acquisitions prior to a distribution thereof to the appropriate property accounts, whether or not conditioning or modification is necessary before placing in service.

NONOPERATING PROPERTY AND EQUIPMENT

**1700 Nonoperating Property and Equipment.**

The total cost to the air carrier of nonoperating property and equipment and related reserves for depreciation shall be recorded in balance sheet accounts 1701 through 1789 which, as set forth in section 3, Chart of Balance Sheet Accounts, parallel those established above, balance sheet accounts 1601 through 1689, for recording the cost of operating property and equipment.

DEFERRED CHARGES

**1820 Long-Term Prepayments.**

Record here prepayments of obligations applicable to periods extending beyond one year such as payments on leased property and equipment and other payments and advances for rents, rights or other privileges.

**1830 Developmental and Preoperating Costs.**

(a) Record here costs accumulated and deferred by the air carrier pertaining to the development of new routes or extension of existing routes, preparation for operation of new routes subsequent to certification by the Civil Aeronautics Board, the integration of new types of aircraft or services, and other preparations for substantial alterations in operational characteristics.

(b) Costs chargeable to this account shall include items directly related to each specific developmental or preoperating project, such as travel and incidental expenses, legal expenses, flight crew training expenses, and regulatory proceedings expenses. Expenses which would be otherwise incurred in the normal air transport operations conducted by the air carrier during the current accounting period shall not be allocated to developmental or preoperating projects and charged to this account. Nor shall this account be credited for revenues from aircraft flights of a developmental or preoperating character the operating costs of which are charged to this account. Any such revenues shall be included in the profit and loss account for the respective type of revenue. This account shall include charges for only those costs associated with projects directed at obtaining new operating authority or expanding the physical capacity of the air carrier and shall not include costs incurred for the purpose of generating revenues through rate adjustment. Accordingly, costs associated with regulatory proceedings involving route awards or amendments, whether successful or unsuccessful to the carrier, shall be included in this account whereas costs associated with regulatory proceedings involving rate or other revenue generation matters shall be charged to appropriate expense accounts.

(c) Records shall be established for new routes or extensions of existing routes to record separately: (1) Costs incurred in acquiring or applying for the routes, including all costs incurred prior to certification by the Board and inauguration of service by the air carrier, and (2) costs incurred after revenue operations begin over the new routes or extensions.

(d) Subclassifications shall be established to record for each developmental project the period covered and the purpose of each item of expense. Each air carrier shall classify the costs of all projects included in this account between: (1) Those related and contributing to the normal air transportation services currently conducted by the air carrier; (2) those related to services conducted by the air carrier which are extraneous to or are not otherwise related to the air transportation services currently conducted; and (3) those held in suspense pending status determination in terms of possible contribution to the air transportation services and inauguration of the service or operation to which related.

(e) Amounts included in this account which contribute to or protect the position of the normal air transportation services currently conducted by the carrier shall be amortized to profit and loss account 74 Amortization, unless otherwise approved or directed by the Civil Aeronautics Board. Other amounts included in this account shall be amortized or charged to profit and loss account 89 Miscellaneous Nonoperating Debits.

**1840 Unamortized Discount and Expense on Debt.**

(a) Record here the excess of the par value of debt securities issued over the cash value of consideration received therefor, exclusive of accrued interest, together with expenses related to the assumption by the air carrier of debt of all types and classes.

(b) Amounts recorded in this account shall be amortized to profit and loss account 87 Interest Expense. Discount and expense on short-term debt may be charged directly to profit and loss account 87 Interest Expense.

**1850 Unamortized Capital Stock Expense.**

Record here, in separate subdivisions for each class and series of capital stock, all commissions and expenses incurred in the original issuance and sale of capital stock. The air carrier may amortize the balance in this account to profit and loss account 89 Miscellaneous Nonoperating Debits. The air carrier may, at its option, record expenses incurred in the issuance of capital stock in balance sheet account 2890 Other Paid-In Capital as an offset to paid-in capital.

**1870 Property Acquisition Adjustment.**

(a) Record here the difference between the purchase price to the air carrier of property and equipment acquired as a part of a business from another air carrier through consolidation, merger, or reorganization, pursuant to a plan approved by the Civil Aeronautics Board, and the depreciated cost to the predecessor company at date of acquisition. Record here also such differences relating to purchases of property and equipment from associated companies unless other treatment is approved by the Board. Separate subaccounts shall be established to record the amounts applicable to each such acquisition.

(b) Balances in this account shall be amortized by charges to profit and loss account 89 Miscellaneous Nonoperating Debits unless otherwise directed or approved by the Civil Aeronautics Board.

(c) A supplementary statement shall accompany reports covering the periods in which charges are made to this account. The required statement shall include an explanation of the charges and the air carrier's proposed plan for write-off or amortization. The plan shall be considered effective unless the air carrier is informed of modifications of the proposed accounting treatment by the Civil Aeronautics Board. (See section 22(d).)

(d) The foregoing instructions do not apply to purchases of individual units of property or equipment from another air carrier when such acquisitions do not require approval of the Civil Aeronautics Board.

**1880 Other Intangibles.**

Record here the cost of leaseholds, patents, copyrights and other intangible properties, rights and privileges acquired as a part of a business from other air carriers and other intangible assets not provided for elsewhere. This account shall be subdivided to reflect the nature of each intangible asset included in this account. Amortization of each intangible asset recorded in this account shall be effected in accordance with a plan filed with the Civil Aeronautics Board. (See section 5–5.)

**1890 Other Deferred Charges.**

(a) Record here debits, not provided for elsewhere, the proper final disposition of which cannot be effected until additional information has been received. This account shall include the accumulated cost of labor, materials and outside services used in the process of manufacturing flight equipment expendable parts and materials and supplies for stock, the accumulated cost of jobs in process for others, and projects to be charged to expense upon completion.

(b) This account shall be charged with property loss and other costs related to casualties and credited with recoveries from purchased insurance and salvage. Where self-insurance reserves are not provided, a debit or credit balance in this account related to property retired as a result of a casualty shall be recorded in profit and loss account 81 Capital Gains and Losses; however, any balances related to property not retired or to other casualties shall be recorded in profit and loss account 58 Injuries, Loss and Damage. Proceeds from pur-

chased insurance for property damage, received prior to repair of such damage, shall not be credited to this account but to balance sheet account 2390 Other Deferred Credits pending repair. In cases where self-insurance reserves are applicable, debit or credit balances in this account related to property loss shall be accounted for in accordance with the provisions of balance sheet account 2350 Reserve for Self-insurance. The records for each major casualty shall be kept in such manner as to clearly disclose insurance recoveries and the total costs, which shall include charges for the depreciated cost of property damaged or destroyed, costs for clearing wrecks and damaged property and equipment, including salaries and wages for the repair thereof, and payments for damages to property of others. The cost of casualties shall not be charged directly against retained earnings or appropriations thereof, but shall be cleared through the applicable profit and loss accounts in accordance with the foregoing.

CURRENT LIABILITIES

**2010 Current Notes Payable.**

Record here the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or within one year to other than associated companies, including the portion of long-term debt due within one year of the balance sheet date. The current portion of long-term debt expected to require the use of existing resources of a type not properly classifiable as current assets, shall be included in appropriate noncurrent liability accounts and shall not be included in this account.

**2020 Accounts Payable—General.**

Record here all accounts payable within one year which are not provided for in accounts 2010 to 2050, inclusive. This account shall include obligations, already matured at balance sheet date, for which settlement amounts have been established. Amounts accrued for obligations unmatured at the balance sheet date, but payable within one year, shall be recorded in balance sheet account 2190 Other Current Liabilities.

**2030 Collections as Agent—Traffic.**

(a) This account shall include amounts collected for transportation furnished by others, except associated companies, whether settled through airline clearing houses or with individual carriers.

(b) Accounts receivable, includible in account 1240 Accounts Receivable—General Traffic shall not be charged to this account.

**2040 Collections as Agent—Other.**

Record here amounts collected for the account of others such as sales or transportation taxes and amounts deducted from employee salaries and wages for payments to others exclusive of amounts collected for air transportation over the lines of other air carriers.

**2050 Notes and Accounts Payable—Associated Companies.**

Record here gross amounts due on traffic accounts, current notes and open accounts with associated companies. Balances receivable from associated companies, shall not be offset against amounts carried in this account. Balances with associated companies which are not normally settled currently shall not be included in this account but in balance sheet account 2240 Advances from Associated Companies.

**2110 Accrued Personnel Compensation.**

Record here amounts accrued for unpaid compensation to personnel, which have been charged to profit and loss or capitalized, as compensation for the period in which accrued.

**2120 Accrued Vacation Liability.**

(a) Record here any accruals for liabilities against the air carrier for personnel vacations. At the option of the air carrier the cost of personnel vacations may be charged directly to the applicable personnel compensation expense account without accrual through this account.

(b) This account shall be credited and the applicable personnel compensation expense account concurrently charged with the cost of any lag between vacations accrued and vacations taken. Accruals may be based upon standard rates of lag provided such standard rates are verified by physical inventory and adjusted accordingly at least once each calendar year. Adjustments of balances in this account shall be cleared to applicable compensation expense accounts. No accruals shall be made to this account for other than definitely demonstrable obligations of the air carrier. (See section 2–5 for applicable accounting policy.)

**2131 Accrued Federal Income Taxes.**

Record here accruals for currently payable Federal income taxes. Provisions for deferred taxes shall not be accrued except as provided in balance sheet account 2340 Deferred Federal Income Taxes.

**2139 Other Accrued Taxes.**

Record here accruals for taxes, exclusive of Federal income taxes, constituting a charge borne by the air carrier, as opposed to those collected as an agent for others.

**2140 Dividends Declared.**

Record here in separate subdivisions for each class and series of capital stock, all dividends declared but unpaid on capital stock.

**2150 Air Travel Plan Liability.**

Record here the air carrier's liability for deposits received under air travel plan contracts.

**2160 Unearned Transportation Revenue.**

(a) Record here the value of transportation sold, but not used or refunded, for travel over the air carrier's own lines. Each air carrier shall establish practices for the clearance of transportation revenues as earned to the applicable transportation revenue profit and loss accounts and for the periodic clearance on a consistent basis of unredeemed transportation sales to the related transportation revenue profit and loss accounts or other appropriate accounts. Physical verification of the reliability of revenue accounting practices shall be made at least once each accounting year.

(b) A statement shall be filed with the Civil Aeronautics Board as a supplement to the Form 41 reports which fully explains the accounting methods and bases of clearing to income both earned and unredeemed transportation sales. (See section 22(d).)

**2190 Other Current Liabilities.**

Record here current and accrued liabilities not provided for in accounts 2010 to 2160, inclusive. This account shall include estimated amounts for established obligations and other accruals for obligations unmatured at the balance sheet date. It shall not include obligations already matured at the balance sheet date for which settlement amounts have been established. Such amounts shall be included in balance sheet account 2020 Accounts Payable—General.

NONCURRENT LIABILITIES

**2210 Long-Term Debt.**

Record here the face value or principal amount of debt securities issued or assumed by the air carrier and held by other than associated companies, which has not been retired or cancelled and is not payable within 12 months of the balance sheet date, except as provided in section 5–7.

**2240 Advances from Associated Companies.**

Record here net amounts due associated companies for notes, loans and advances which are not settled currently. Balances payable to and receivable from different associated companies shall not be offset.

**2245 Advances from Nontransport Divisions.**

(a) Record here net advances, including amounts settled currently, from nontransport divisions for which separate records and books of account are maintained.

(b) Each nontransport division shall be accounted for separately in net amounts payable, which shall be included in this account, or net amounts receivable which shall be included in balance sheet account 1520 Advances to Nontransport Divisions.

**2250 Pension Liability.**

Record here the liability of the air carrier under employee pension plans, to which either or both employees and the air carrier contribute, if the plan is administered by the air carrier.

**2260 Company Stock Purchase Plan Liability.**

Record here the liability for installments received on capital stock from company personnel who are not bound by legally enforceable subscription contracts.

**2290 Other Noncurrent Liabilities.**

Record here noncurrent liabilities not provided for in balance sheet accounts 2210 to 2260, inclusive, such as accruals

for personnel dismissal liability, and accruals of other demonstrable miscellaneous noncurrent liabilities.

DEFERRED CREDITS

**2330 Unamortized Premium on Debt.**

(a) Record here the excess of the cash value of consideration received over the par value plus accrued interest on debt securities issued.

(b) Amounts recorded in this account shall be amortized to profit and loss account 87 Interest Expense.

**2340 Deferred Federal Income Taxes.**

(a) Record here deferred income tax credits and debits arising from different treatment for tax and book accounting purposes of those income elements specifically set forth in section 2–6(b).

(b) This account shall be credited or debited, as appropriate and profit and loss subaccount 92.1 Current Provisions for Deferred Taxes shall be debited or credited, each quarter, with deferred income taxes applicable to the income elements for which the related income tax effect is deferred. Deferred tax provisions shall be computed at tax rates, under existing law, at which the deferred taxes are payable. This means that insofar as income differences result from the application of different residual values in determining depreciation the applicable deferred tax shall be accrued at the appropriate capital gain rate.

(c) This account shall be debited or credited as appropriate, and profit and loss subaccount 92.2 Application of Taxes Deferred shall be credited or debited, each quarter, with deferred tax amounts previously accrued which are allocable to income of the current period.

(d) Upon adjustment or elimination of the income element for which income taxes are deferred, the related deferred tax balance included in this account shall be correspondingly adjusted or eliminated by debit or credit, as appropriate, to profit and loss subaccount 92.3 Adjustment of Deferred Taxes.

(e) Any debit balance herein shall be treated for statement purposes, as a special subaccount of balance sheet account 1890 Other Deferred Charges.

(f) Each air carrier is restricted in its use of this account to the purposes set forth in section 2–6. Deferred tax balances shall not be reversed or revised without prior approval of the Civil Aeronautics Board except that correction of clerical errors shall be effected upon the initiative of the air carrier. All adjustments shall be effected through appropriate credits or debits to profit and loss subaccount 92.3 Adjustment of Deferred Taxes. Full explanation of each adjustment shall be set forth in CAB Form 41 report for the period in which the adjustment is made.

**2350 Reserve for Self-Insurance.**

(a) Record here all accruals through charges against income for uninsured losses. Segregations of retained earnings for uninsured loss contingencies shall not be credited to this account but to balance sheet account 2930 Appropriations of Retained Earnings. All sustained losses associated with risks for which accruals are being made shall be charged to this account. If through the operation of the carrier's self-insurance plan a debit balance results in this account, such debit balance shall not be reclassified to another account for either statement or accounting purposes but shall remain in this account until liquidated through operation of the plan in subsequent periods. Upon each redetermination of self-insurance requirements, pursuant to section 2–13, any balances of material amount in excess of those required to cover current risks borne by the air carrier shall be credited to profit and loss account 96 Special Income Credits and Debits (Net) rather than to insurance expense accounts. (See section 2–13, Establishment of Reserves.)

(b) The losses charged to this account shall be limited to the net losses associated with each casualty for which self-insurance reserves are provided, after offsetting any recoveries from purchased insurance, as accumulated in balance sheet account 1890 Other Deferred Charges. (See also section 2–13.) Under co-insurance programs, this account shall be charged with losses borne by the carrier and not covered by purchased insurance. Any excess of accumulated proceeds from purchased insurance under such co-insurance programs over the depreciated cost of accumulated property losses during each insured period shall be credited to this account to the extent losses associated with such casualties have been charged to this account during such period. Any remaining excess accumulated during the insured period shall be credited to profit and loss account 81 Capital Gains and Losses and shall not be credited to this account. The cost of ordinary maintenance and overhaul work performed along with the repair of casualty damage shall be charged to the appropriate maintenance accounts and not to this account. Refunds of insurance premiums whether based upon the air carrier's casualty experience, or otherwise, shall not be credited to this account but to the applicable insurance expense account.

(c) Each air carrier shall maintain appropriate records for each type and class of property risk or other risk for which self-insurance reserves are provided.

(d) The air carrier shall submit in writing to the Civil Aeronautics Board a statement describing the air carrier's policy with respect to self-insurance pursuant to section 2–13.

**2390 Other Deferred Credits.**

Record here credits, not provided for elsewhere, the proper final disposition of which cannot be effected until additional information has been received.

STOCKHOLDER EQUITY

**2820 Preferred Stock.**

Record here in separate subdivisions for each class and series, the par or stated value of preferred capital stock issued or in the case of no-par stock without stated value, the full consideration received.

**2840 Common Stock.**

Record here in separate subdivisions for each class and series, the par or stated value of common stock issued or in case of no-par stock without stated value, the full consideration received.

**2860 Capital Stock Subscribed and Unissued.**

Record here in separate subdivisions for each class and series, the par or stated value, or the subscription price in the case of stock without par or stated value, of legally enforceable subscriptions to the capital stock of the air carrier.

**2890 Other Paid-In Capital.**

(a) Record here in separate subdivisions for each class and series, the difference between the price at which capital stock is sold and the par or stated value of such stock; gains or losses arising from the reacquisition and the resale or retirement of each class and series of capital stock; donations; the excess of retained earnings capitalized over par or stated value of capital stock issued; and adjustments in capital resulting from reorganization or recapitalization. This account shall also include the balances of contributions to the business enterprise of individual proprietors or partners.

(b) Each air carrier shall maintain the following subaccounts:

2890.1 *Premium on Capital Stock.*

Record here in separate subdivisions for each class and series of capital stock issued the excess of the cash value of consideration received over the par or stated value and accrued dividends of stock issued together with assessments against stockholders representing payments required in excess of par or stated value.

2890.2 *Discount on Capital Stock.*

Record here in separate subdivisions for each class and series of capital stock issued, the excess of the par or stated value over the cash value of consideration received, less accrued dividends. Discount applicable to a particular class and series of capital stock may be offset against premiums from the same class and series of capital stock. Discounts and premiums on different classes and series of capital stock shall not be offset. The air carrier may, at its option, record in this subaccount commissions and expenses incurred in the issuance of capital stock and may charge balance sheet account 2940 Unappropriated Retained Earnings to the extent capital stock expense may exceed any existing balance of paid-in capital over the par or stated value of capital stock.

2890.3 *Other Capital Stock Transactions.*

Record here, in separate subdivisions for each class and series, the balance of credits arising from the reacquisition and resale or cancellation of capital stock, credits arising from a reduction in the par or stated value of capital stock or the net balance of credits or debits resulting from other paid-in capital transactions, not provided for elsewhere, which is identified with particular classes and series of capital stock.

2890.9 *Miscellaneous Paid-In Capital.*

Record here all other paid-in capital credits or debits not identified with particular classes and series of capital stock such as capital provided by donations from company stockholders and other paid-in capital which at the effective date of this system of

accounts cannot be classified as to the source thereof.

**2930 Appropriations of Retained Earnings.**

(a) Record here amounts of retained earnings segregated for contingencies and other special purposes, including retained earnings segregated in connection with self-insurance plans.

(b) Charges resulting from the materialization of events for which retained earnings have been appropriated shall not be entered in this account but in appropriate profit and loss accounts. Balances in this account shall be returned to balance sheet account 2940 Unappropriated Retained Earnings when the reason for which created no longer exists.

**2940 Unappropriated Retained Earnings.**

(a) Record here the net income or loss from operations of the air carrier and dividends declared on capital stock.

(b) This account shall not be charged with dividends on treasury stock but may be charged with dividends on capital stock of the air carrier held in special funds not under the control of the air carrier. If a dividend is not payable in cash the values entered in this account shall be completely described.

(c) Delayed credits or charges to income shall not be entered in this account directly but in appropriate profit and loss accounts.

(d) Net income or loss accounted for during the current fiscal year shall not be entered in this account until the close of the fiscal year. Individual proprietorships or partnerships may clear net income or loss accounted for during the year directly to balance sheet account 2890 Other Paid-In Capital, or optionally, to this account for subsequent transfer to balance sheet account 2890 Other Paid-In Capital.

**2990 Treasury Stock.**

(a) Charge here the cost of capital stock issued by the air carrier reacquired by it and not retired or cancelled. Capital credits or debits resulting from the resale or retirement of capital stock held in this account shall be entered in balance sheet account 2890.3 Other Capital Stock Transactions.

(b) Separate records shall be established for each class and series of capital stock held in this account.

## PROFIT AND LOSS CLASSIFICATIONS

### Section 7—Chart of Profit and Loss Accounts

| Objective classification of profit and loss elements | Functional or financial activity to which applicable (00) | | |
|---|---|---|---|
| | Group I carriers | Group II carriers | Group III carriers |
| OPERATING REVENUES | | | |
| 01 Passenger. | | | |
| 01.1 Passenger—first class | 31, 32 | 31, 32 | 31, 32. |
| 01.2 Passenger—coach | 31, 32 | 31, 32 | 31, 32. |
| 02 United States mail. | | | |
| 02.1 Priority | 31, 32 | 31, 32 | 31, 32. |
| 02.2 Nonpriority | 31, 32 | 31, 32 | 31, 32. |
| 03 Foreign Mail | 31, 32 | 31, 32 | 31, 32. |
| 06 Property. | | | |
| 06.1 Express | 31, 32 | 31, 32 | 31, 32. |
| 06.2 Freight | 31, 32 | 31, 32 | 31, 32. |
| 06.3 Excess passenger baggage | 31, 32 | 31, 32 | 31, 32. |
| 07 Charter and special. | | | |
| 07.1 Passenger | 32 | 32 | 32. |
| 07.2 Property | 32 | 32 | 32. |
| 08 Section 406 subsidy | 41 | 41 | 41. |
| 09 Foreign exchange fluctuation adjustments | 46 | 46 | 46. |
| 10 Hotel, restaurant and food service. | | | |
| 10.1 Gross revenues | 46 | 46 | 46. |
| 10.2 Depreciation expense | 46 | 46 | 46. |
| 10.3 Other expenses | 46 | 46 | 46. |
| 11 Rents. | | | |
| 11.1 Gross revenues | 46 | 46 | 46. |
| 11.2 Depreciation expense | 46 | 46 | 46. |
| 11.3 Other expenses | 46 | 46 | 46. |
| 12 Limousine service. | | | |
| 12.1 Gross revenues | 46 | 46 | 46. |
| 12.2 Depreciation expense | 46 | 46 | 46. |
| 12.3 Other expenses | 46 | 46 | 46. |
| 13 Interchange sales—associated companies. | | | |
| 13.1 Gross revenues | 46 | 46 | 46. |
| 13.2 Depreciation expense | 46 | 46 | 46. |
| 13.3 Other expenses | 46 | 46 | 46. |
| 14 General service sales—associated companies. | | | |
| 14.1 Gross revenues | 46 | 46 | 46. |
| 14.2 Depreciation expense | 46 | 46 | 46. |
| 14.3 Other expenses | 46 | 46 | 46. |
| 15 Interchange sales—outside. | | | |
| 15.1 Gross revenues | 46 | 46 | 46. |
| 15.2 Depreciation expense | 46 | 46 | 46. |
| 15.3 Other expenses | 46 | 46 | 46. |
| 16 General service sales—outside. | | | |
| 16.1 Gross revenues | 46 | 46 | 46. |
| 16.2 Depreciation expense | 46 | 46 | 46. |
| 16.3 Other expenses | 46 | 46 | 46. |
| 17 Air cargo services. | | | |
| 17.1 Gross revenues | 46 | 46 | 46. |
| 17.2 Depreciation expense | 46 | 46 | 46. |
| 17.3 Other expenses | 46 | 46 | 46. |
| 18 Other incidental revenues. | | | |
| 18.1 Gross revenues | 46 | 46 | 46. |
| 18.2 Depreciation expense | 46 | 46 | 46. |
| 18.3 Other expenses | 46 | 46 | 46. |
| 19 Other operating revenues. | | | |
| 19.1 Reservations cancellation fees | 31, 32 | 31, 32 | 31, 32. |
| 19.9 Miscellaneous operating revenues | 31, 32, 41 | 31, 32, 41 | 31, 32, 41. |
| OPERATING EXPENSES | | | |
| 21 General management personnel | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 23 Pilots and copilots | 51 | 51 | 51. |
| 24 Other flight personnel | 51, 69 | 51, 55 | 51, 55. |
| 25 Maintenance labor. | | | |
| 25.1 Labor—airframes | | 52 | 52. |
| 25.2 Labor—aircraft engines | | 52 | 52. |
| 25.3 Labor—other flight equipment | | 52 | 52. |
| 25.6 Labor—flight equipment | 52 | | |
| 25.9 Labor—ground property and equipment | 52, 53 | 52, 53 | 52, 53. |

| Objective classification of profit and loss elements | Functional or financial activity to which applicable (00) | | |
|---|---|---|---|
| | Group I carriers | Group II carriers | Group III carriers |
| OPERATING EXPENSES—continued | | | |
| 26 Aircraft and traffic handling personnel | 69 | | |
| 26.1 General aircraft and traffic handling personnel | | 64, 67 | 61, 62, 63, 65. |
| 26.2 Aircraft control personnel | | 64 | 61. |
| 26.3 Passenger handling personnel | | 64, 67 | 62, 65. |
| 26.4 Cargo handling personnel | | 64, 67 | 62, 65. |
| 28 Trainees, instructors and unallocated shop labor. | | | |
| 28.1 Trainees and instructors | 51, 53, 69 | 51, 53, 55, 64, 67, 68. | 51, 53, 55, 61, 62, 63, 65, 66, 68. |
| 28.2 Unallocated shop labor | 53 | 53 | 53. |
| 30 Communications personnel | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 31 Record keeping and statistical personnel | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 32 Lawyers and law clerks | 69 | 68 | 68. |
| 33 Traffic solicitors | 69 | 67 | 65. |
| 34 Purchasing personnel | 53, 69 | 53, 68 | 53, 68. |
| 35 Other personnel | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 36 Personnel expenses | 51, 53, 69 | 51, 53, 55, 64, 67, 68. | 51, 53, 55, 61, 62, 63, 65, 66, 68. |
| 37 Communications purchased | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 38 Light, heat, power and water | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 39 Traffic commissions | 69 | | |
| 39.1 Commissions—passenger | | 67 | 65. |
| 39.2 Commissions—property | | 67 | 65. |
| 40 Legal fees and expenses | 69 | 68 | 68. |
| 41 Professional and technical fees and expenses | 51, 53, 69 | 51, 53, 55, 64, 67, 68. | 51, 53, 55, 61, 62, 63, 65, 66, 68. |
| 42 General services purchased—associated companies. | | | |
| 42.1 Airframe repairs—associated companies | | 52 | 52. |
| 42.2 Aircraft engine repairs—associated companies | | 52 | 52. |
| 42.3 Other flight equipment repairs—associated companies | | 52 | 52. |
| 42.6 Flight equipment repairs—associated companies | 52 | | |
| 42.7 Aircraft interchange charges—associated companies | 51, 52 | 51, 52 | 51, 52. |
| 42.8 General interchange service charges—associated companies | 52, 69 | 52, 55, 64, 67, 68. | 52, 55, 61, 62, 63, 65, 66, 68. |
| 42.9 Other services—associated companies | 52, 53, 69 | 52, 53, 55, 64, 67, 68. | 52, 53, 55, 61, 62, 63, 65, 66, 68. |
| 43 General services purchased—outside. | | | |
| 43.1 Airframe repairs—outside | | 52 | 52. |
| 43.2 Aircraft engine repairs—outside | | 52 | 52. |
| 43.3 Other flight equipment repairs—outside | | 52 | 52. |
| 43.6 Flight equipment repairs—outside | 52 | | |
| 43.7 Aircraft interchange charges—outside | 51, 52 | 51, 52 | 51, 52. |
| 43.8 General interchange service charges—outside | 52, 69 | 52, 55, 64, 67, 68. | 52, 55, 61, 62, 63, 65, 66, 68. |
| 43.9 Other services—outside | 52, 53, 69 | 52, 53, 55, 64, 67, 68. | 52, 53, 55, 61, 62, 63, 65, 66, 68. |
| 44 Rentals and landing fees. | | | |
| 44.1 Rentals | 51, 53, 69 | 51, 53, 55, 64, 67, 68. | 51, 53, 55, 61, 62, 63, 65, 66, 68. |
| 44.2 Landing fees | 69 | 64 | 61. |
| 45 Aircraft fuels and oils | 51 | | |
| 45.1 Aircraft fuels | | 51 | 51. |
| 45.2 Aircraft oils | | 51 | 51. |
| 46 Maintenance materials. | | | |
| 46.1 Airframes | | 52 | 52. |
| 46.2 Aircraft engines | | 52 | 52. |
| 46.3 Other flight equipment | | 52 | 52. |
| 46.6 Flight equipment | 52 | | |
| 46.9 Ground property and equipment | 52, 53 | 52, 53 | 52, 53. |
| 49 Shop and servicing supplies | 53, 69 | 53, 64 | 53, 61. |
| 50 Stationery, printing and office supplies | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 51 Passenger food expense | 69 | 55 | 55. |
| 53 Other supplies | 51, 53, 69 | 51, 53, 55, 64, 67, 68. | 51, 53, 55, 61, 62, 63, 65, 66, 68. |

| Objective classification of profit and loss elements | Functional or financial activity to which applicable (00) | | |
|---|---|---|---|
| | Group I carriers | Group II carriers | Group III carriers |
| OPERATING EXPENSES—continued | | | |
| 54 Inventory adjustments | 53, 69 | 53, 55 | 53, 55. |
| 55 Insurance—general. | | | |
| 55.1 Insurance purchased | 51, 53, 69 | 51, 53, 68 | 51, 53, 68. |
| 55.2 Provisions for self-insurance | 51, 53, 69 | 51, 53, 68 | 51, 53, 68. |
| 56 Insurance—traffic liability | 69 | 55, 64 | 55, 62. |
| 57 Insurance—employee welfare | 51, 53, 69 | 51, 53, 55, 64, 67, 68. | 51, 53, 55, 61, 62, 63, 65, 66, 68. |
| 58 Injuries, loss and damage | 51, 53, 69 | 51, 53, 55, 64, 67, 68. | 51, 53, 55, 61, 62, 63, 65, 66, 68. |
| 59 Tariffs, schedules and timetables | 59 | 67 | 65, 66. |
| 60 Advertising | 69 | 67 | 66. |
| 62 Other promotional and publicity expenses | 69 | 67 | 66. |
| 63 Interrupted trips expense | 69 | 55 | 55. |
| 64 Memberships | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 65 Corporate and fiscal expenses | 69 | 68 | 68. |
| 66 Uncollectible accounts | 69 | 68 | 68. |
| 67 Clearance, customs and duties | 69 | 64 | 61, 62. |
| 68 Taxes—payroll | 51, 53, 69 | 51, 53, 55, 64, 67, 68. | 51, 53, 55, 61, 62, 63, 65, 66, 68. |
| 69 Taxes—other than payroll | 51, 69 | 51, 68 | 51, 68. |
| 71 Other expenses | 51, 53, 69 | 51, 53, 55, 64, 67, 68. | 51, 53, 55, 61, 62, 63, 65, 66, 68. |
| 72 Flight equipment airworthiness provisions. | | | |
| 72.1 Airworthiness reserve provisions—airframes | 52, 53 | 52, 53 | 52, 53. |
| 72.2 Airworthiness reserve charges—airframes (credit) | 52, 53 | 52, 53 | 52, 53. |
| 72.6 Airworthiness reserve provisions—aircraft engines | 52, 53 | 52, 53 | 52, 53. |
| 72.7 Airworthiness reserve charges—aircraft engines (credit) | 52, 53 | 52, 53 | 52, 53. |
| 73 Provisions for obsolescence and deterioration—expendable parts. | | | |
| 73.1 Current provisions | 70 | 70 | 70. |
| 73.2 Inventory decline credits | 70 | 70 | 70. |
| 74 Amortizations. | | | |
| 74.1 Developmental and preoperating expenses | 70 | 70 | 70. |
| 74.2 Other intangibles | 70 | 70 | 70. |
| 75 Depreciation. | | | |
| 75.1 Airframes | 70 | 70 | 70. |
| 75.2 Aircraft engines | 70 | 70 | 70. |
| 75.3 Airframe parts | 70 | 70 | 70. |
| 75.4 Aircraft engine parts | 70 | 70 | 70. |
| 75.5 Other flight equipment | 70 | 70 | 70. |
| 75.6 Flight equipment | 70 | 70 | 70. |
| 75.8 Maintenance equipment and hangars | 70 | 70 | 70. |
| 75.9 General ground property | 70 | 70 | 70. |
| 77 Uncleared expense credits. | | | |
| 77.8 Uncleared interchange expense credits | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 77.9 Other uncleared expense credits | 53, 69 | 53, 55, 64, 67, 68. | 53, 55, 61, 62, 63, 65, 66, 68. |
| 78 Direct maintenance—flight equipment | 52 | 52 | 52. |
| 79 Applied burden Dr/Cr. | | | |
| 79.6 Flight equipment | 52 Dr, 53 Cr. | 52 Dr, 53 Cr. | 52 Dr, 53 Cr. |
| 79.8 General ground property | 52 Dr, 53 Cr. | 52 Dr, 53 Cr. | 52 Dr, 53 Cr. |
| NONOPERATING INCOME AND EXPENSES | | | |
| 80 Interest capitalized. | | | |
| 80.1 Interest charged to construction—credit | 81 | 81 | 81. |
| 80.2 Interest charged to development—credit | 81 | 81 | 81. |
| 81 Capital gains and losses. | | | |
| 81.1 Capital gains and losses—operating property | 81 | 81 | 81. |
| 81.2 Capital gains and losses—other | 81 | 81 | 81. |
| 82 Unapplied cash discounts | 81 | 81 | 81. |
| 83 Interest income | 81 | 81 | 81. |
| 84 Dividend income | 81 | 81 | 81. |
| 85 Foreign exchange adjustments | 81 | 81 | 81. |
| 86 Income from nontransport ventures | 81 | 81 | 81. |

| Objective classification of profit and loss elements | Functional or financial activity to which applicable (00) | | |
|---|---|---|---|
| | Group I carriers | Group II carriers | Group III carriers |
| NONOPERATING INCOME AND EXPENSES—continued | | | |
| 87 Interest expense. | | | |
| 87.1 Interest on debt principal | 81 | 81 | 81. |
| 87.2 Amortization of discount and expense on debt | 81 | 81 | 81. |
| 87.3 Amortization of premium on debt | 81 | 81 | 81. |
| 88 Miscellaneous nonoperating credits | 81 | 81 | 81. |
| 89 Miscellaneous nonoperating debits | 81 | 81 | 81. |
| INCOME TAXES | | | |
| 91 Normal income taxes and surtaxes | 91 | 91 | 91. |
| 92 Provisions for deferred Federal income taxes. | | | |
| 92.1 Current provisions for deferred taxes | 91 | 91 | 91. |
| 92.2 Application of taxes deferred | 91 | 91 | 91. |
| 92.3 Adjustment of deferred taxes | 91 | 91 | 91. |
| 95 Excess profits taxes | 91 | 91 | 91. |
| SPECIAL ITEMS | | | |
| 96 Special income credits and debits (net) | 97 | 97 | 97. |
| 97 Special income tax credits and debits (net) | 97 | 97 | 97. |

NOTE: Digits to right of decimals and italicized codes established for CAB control purposes only.

### Section 8—General

(a) The profit and loss accounts are designed to reflect, through natural groupings, the elements entering into the derivation of income or loss accruing to the proprietary interests during each accounting period.

(b) The prescribed system of accounts provides for the co-ordinate grouping of all revenues and expenses in terms of both major natural objectives and functional activities and for subdivision of both to provide varying degrees of detail for air carriers of differing accounting capacities and/or requirements.

(c) The detailed objective accounts established for each air carrier group, by the dual subdivision of profit and loss elements in terms of both natural objectives and functional activities, are set forth in section 7, Chart of Profit and Loss Accounts.

(d) The prescribed system of accounts provides generally that profit and loss elements shall be grouped in accordance with their inherent characteristics within the following primary classifications:

(1) *Operating revenues.* (i) This primary classification shall include revenues of a character usually and ordinarily derived from the performance of air transportation, and net revenues from services performed incidental to the performance of air transportation, which relate to services performed during the current accounting year, and adjustments of a recurrent nature applicable to services performed in prior accounting years. (See section 2–7.)

(ii) Operating revenues shall be subclassified in terms of functional activities as provided in section 9.

(2) *Operating expenses.* (i) This primary classification shall include expenses of a character usually and ordinarily incurred in the performance of air transportation which are attributable to services performed during the current accounting year, and adjustments of a recurring nature attributable to services performed in prior accounting years. (See section 2–7.)

(ii) Operating expenses shall be subclassified in terms of functional activities as provided in sections 10 and 11.

(3) *Nonoperating income and expense—net.* This primary classification (8100) shall include income and loss incident to commercial ventures not inherently related to the performance of the common carrier air transport services of the accounting entity; other revenues and expenses attributable to financing or other activities which are extraneous to and not an integral part of air transportation or its incidental services; and special recurrent items of a nonperiod nature.

(4) *Income taxes for current period.* This primary classification (9100) shall include provisions for Federal, state, local and foreign taxes which are based upon the net income of the air carrier for the current period together with refunds for excess profits credits or carry back of losses and increases or reductions of income taxes of prior years of a magnitude which will not distort net income of the current accounting year. Income taxes applicable to special income credits or debits recorded in profit and loss classification 9700 Special Items, and other material income tax items not allocable to income of the current accounting year, shall not be included in this classification but in profit and loss classification 9700 Special Items.

(5) *Special items.* This primary classification (9700) shall include extraordinary credits and debits, exclusive of ordinary adjustments of a recurring nature, that are of sufficient magnitude to materially distort the total operating revenues or total operating expenses and permit misleading inferences to be drawn therefrom. (See section 2–7.)

## Section 9—Functional Classification—Operating Revenues

**3900 Transport Revenues.**

This classification is prescribed for all air carrier groups and shall include all revenues from the air transportation of traffic of all classes. It shall consist of the following subclassifications:

3100 *Scheduled Services.*

This subclassification shall include revenues from the transportation by air of traffic between points prescribed in certificates of public convenience and necessity issued by the Civil Aeronautics Board and held by the air carrier, for the transportation of individual passengers or cargo shipments (as opposed to charter of aircraft) on flights performed pursuant to published schedules, filed with the Civil Aeronautics Board, and extra section or other flights performed as an integral part of the air carrier's published flight schedules.

3200 *Nonscheduled Services.*

This subclassification shall include revenues from the transportation by air of traffic between points not prescribed in certificates of public convenience and necessity issued by the Civil Aeronautics Board and held by the air carrier; from the performance of aircraft charter services; and from the performance of other air transportation services not constituting an integral part of services performed pursuant to published schedules filed with the Civil Aeronautics Board. Flights performed as extra sections of flights performed pursuant to published schedules shall not be included in this subclassification but in subclassification 3100 Scheduled Services.

**4900 Nontransport Revenues.**

This classification is prescribed for all air carrier groups and shall include all revenues, grants or aids for providing air transportation facilities, but not as direct payment for the carriage of traffic, and all revenues and fees, less expenses directly associated with the performance of services which grow from and are incidental to air transportation services performed by the air carrier. It shall consist of the following subclassifications:

4100 *Federal Subsidy.*

This subclassification shall include revenues from the United States Government as direct grants or aids for providing air transportation facilities. It shall not include revenues from the carriage of traffic or the performance of other specific contractual services for the United States Government.

4600 *Incidental Revenues—Net.*

(a) This subclassification shall include net revenues from services which grow from and are incidental to the air transportation services performed by the air carrier.

(b) This subclassification shall include revenues, less related expenses, from only those services which are performed as an incidental adjunct to air transportation services and which provide improved utilization of plant and organization required for the performance of air transportation services. Revenues and expenses related to services of a magnitude or scope beyond an incidental adjunct to air transportation services shall not be included in this subclassification. Revenues and expenses applicable to such services shall be included in profit and loss classification 8100 Nonoperating Income and Expense—Net, and the accounting modified to conform with that of a nontransport division whether or not the service is organized as a nontransport division.

(c) This subclassification shall embrace all expense items directly identified with particular incidental services performed as well as amounts representing increases in costs incurred in common with the air transport service, to the extent such increases result from the added incidental services, as well as a pro rata share of the costs incurred by the air carrier in operating facilities which are used jointly with others. As a general rule, this subclassification shall not include those costs, other than joint facilities costs, which would remain as an essential part of the air transport services if the incidental service were terminated.

(d) Each air carrier shall file with the Civil Aeronautics Board a statement setting forth the methods used in assigning or prorating expenses between incidental services and transport operations. This statement shall be filed no later than January 1, 1957 or with the air carrier's initial Form 41 report, whichever occurs later. Changes in such methods shall not be reflected in the air carrier's accounts until 30 days have elapsed following written notice to the Civil Aeronautics Board unless approved in writing by the Civil Aeronautics Board prior to expiration of the notice period. (See section 22(d).)

## Section 10—Functional Classification—Operating Expenses of Group I Air Carriers

**5100 Flying Operations.**

(a) This function shall include expenses incurred directly in the in-flight operation of aircraft and expenses attaching to the holding of aircraft and aircraft operational personnel in readiness for assignment to an in-flight status.

(b) This function shall not include expenses incurred in repairing, servicing or storing aircraft, expenses incurred on the ground in protecting and controlling the in-flight movement of aircraft, or the compensation of ground personnel and other expenses incurred in scheduling or preparing aircraft or aircraft operational personnel for flight assignment. Such expenses shall be included in function 5400 Maintenance or function 6900 General Services and Administration.

**5400 Maintenance.**

(a) This function shall include all expenses, both direct and indirect, specifically identifiable with the repair and upkeep of property and equipment as may be required to meet operating and safety standards; in inspecting or checking property and equipment in accordance with prescribed operational standards; and in polishing or cleaning property and equipment when such polishing or cleaning is not an incidental routine in connection with the normal productive use of property and equipment.

(b) This function shall include the cost of direct labor, materials, and outside services and maintenance overhead or other costs specifically associated with maintenance operations regardless of the location at which incurred.

(c) This function shall not include costs incurred in the construction, improvement, or modification of property and equipment even when necessitated to meet new or changed operating or safety standards. Such costs shall be charged to appropriate property and equipment accounts.

(d) Costs incurred by aircraft handling personnel in visual inspection, minor check and servicing of aircraft, while in line service, shall not be included in this function when performed as an incidental routine during the normal productive use of aircraft but shall be included in function 6900 General Services and Administration.

(e) Each Group I air carrier shall maintain the following subfunctions:

5200 *Direct Maintenance.*

a. This subfunction shall include the costs of labor, materials and outside services consumed directly in periodic maintenance operations and the maintenance and repair of property and equipment, of all types and classes, regardless of the location at which incurred, exclusive of costs specifically identified with maintenance of property and equipment carried in balance sheet accounts 1634 Maintenance and Engineering Equipment and 1640.1 Maintenance Buildings and Improvements which shall be included in subfunction 5300 Maintenance Burden.

b. The cost of direct labor, materials and supplies, as well as outside repairs, used in the maintenance and repair of property and equipment shall be recorded on running job orders or tickets covering repairs and periodic inspections except servicing. Where a number of like items are maintained on a group basis, it will be necessary to maintain only one job order for each group.

c. When supervisory personnel such as crew chiefs, inspectors and foremen are engaged in direct labor in connection with equipment maintenance, a proportionate part of their salaries and wages shall be charged to the appropriate direct labor accounts. The cost of transporting property to and from shops for repair and maintenance shall be included as a part of the cost of the materials and supplies used in the repair or maintenance of such property and equipment. Transportation charges, customs and duties, etc; shall be included in the cost of repairs and maintenance operations when made by outside parties.

5300 *Maintenance Burden.*

a. This subfunction shall include all overhead or general expenses which are specifically identified with activities involved in periodic maintenance operations and the maintenance and repair of property and equipment of all types and classes, including the cost of direct labor, materials and outside services identified with the maintenance and repair of property and equipment carried in balance sheet accounts 1634 Maintenance and Engineering Equipment, and 1640.1 Maintenance Buildings and Improvements. It shall include expenses specifically related to the administration of maintenance stocks and stores, the keeping of pertinent maintenance operations records, and the scheduling, controlling, planning and supervision of maintenance operations.

b. This subfunction shall not include expenses related to financial accounting, purchasing or other overhead activities which are of general applicability to all operating

functions. Such expenses shall be included in function 6900 General Services and Administration.

c. This subfunction shall include only those expenses attributable to the current air transport operations of the air carrier. Maintenance burden associated with capital projects of the air carrier, other than overhauls of airframes and aircraft engines, shall be allocated thereto in accordance with the provisions of section 2-9(b). Maintenance burden incurred in common with services to other companies and operating entities shall be allocated thereto on a pro rata basis unless such services are so infrequent in performance or small in volume as to result in no appreciable demands upon the air carrier's maintenance facilities. When overhauls of airframes or aircraft engines are as a consistent practice accounted for on an accrual basis instead of expensed directly, maintenance burden shall be allocated thereto on a pro rata basis. Standard burden rates may be employed for quarterly allocations of maintenance burden provided the rates are reviewed at the close of each fiscal year, at least. When the actual burden rate for the year differs materially from the standard burden rate applied, adjustment shall be made to reflect the actual costs incurred for the full accounting year. Allocations of maintenance burden to capital projects, and service sales to others shall be effected through the individual maintenance burden objective accounts, except that the air carrier may effect such allocations by credits to profit and loss account 77 Uncleared Expense Credits under circumstances in which the use of that account will not undermine the significance of the individual maintenance burden objective accounts in terms of the expense levels associated with the air carrier's air transport services. Maintenance burden allocated to overhauls shall be credited to profit and loss subaccounts 5372.2 or 5372.7 Airworthiness Reserve Charges. Each air carrier shall file with the Civil Aeronautics Board a statement, as a supplement to the Form 41 report, in which procedures followed in allocating maintenance burden between current transport services, overhauls, capital projects and outside services are fully explained. Revisions in such allocations shall not be made effective without written notice to the Civil Aeronautics Board.

**6900 General Services and Administration.**

This function shall include expenses incurred on the ground in controlling and protecting the in-flight movement of aircraft; landing, handling, or servicing aircraft on the ground; selling transportation; servicing and handling traffic of all classes; promoting the development of traffic; administering operations generally; and all other expenses not otherwise provided for in functions 5100 Flying Operations, 5400 Maintenance and 7000 Depreciation and Amortization.

**7000 Depreciation and Amortization.**

This function shall include all charges to expense to record losses suffered through current exhaustion of the serviceability of property and equipment due to wear and tear from use and the action of time and the elements, which are not replaced by current repairs as well as losses in serviceability occasioned by obsolescence, supersession, discoveries, change in popular demand or action by public authority. It shall also include charges for the amortization of capitalized developmental and preoperating costs and other intangible assets applicable to the performance of air transportation. (See sections 5-5 and 6-1830 and 1880.)

## Section 11—Functional Classification—Operating Expenses of Group II and Group III Air Carriers

**5100 Flying Operations.**

(a) This function shall include expenses incurred directly in the in-flight operation of aircraft and expenses attaching to the holding of aircraft and aircraft operational personnel in readiness for assignment to an in-flight status.

(b) This function shall not include expenses incurred in repairing, servicing or storing aircraft, expenses incurred on the ground in protecting and controlling the in-flight movement of aircraft, or compensation of ground personnel and other expenses incurred in scheduling or preparing aircraft or aircraft operational personnel for flight assignment. Such expenses shall be included in function 5400 Maintenance, or function 6400 Aircraft and Traffic Servicing.

**5400 Maintenance.**

(a) This function shall include all expenses, both direct and indirect, incurred in the repair and upkeep of property and equipment as may be required to meet operating and safety standards; in inspecting or checking property and equipment in accordance with prescribed operational standards; and in polishing or cleaning property and equipment when such polishing or cleaning is not an incidental routine in connection with the normal productive use of property and equipment.

(b) This function shall include the cost of direct labor, materials, and outside services and maintenance overhead or other costs associated with maintenance operations regardless of the location at which incurred.

(c) This function shall not include costs incurred in the construction, improvement, or modification of property and equipment even when necessitated to meet new or changed operating or safety standards. Such costs shall be charged to appropriate property and equipment accounts.

(d) Costs incurred by aircraft handling personnel in visual inspection, minor check and servicing of aircraft, while in line service, shall not be included in this function when performed as an incidental routine during the normal productive use of aircraft but shall be included in function 6400 Aircraft and Traffic Servicing.

(e) Both Group II air carriers and Group III air carriers shall maintain the following subfunctions:

5200 *Direct Maintenance.*

a. This subfunction shall include the costs of labor, materials and outside services consumed directly in periodic maintenance operations and the maintenance and repair of property and equipment of all types and classes, regardless of the location at which incurred, exclusive of property and equipment carried in balance sheet accounts 1634 Maintenance and Engineering Equipment and 1640.1 Maintenance Buildings and Improvements, which shall be included in subfunction 5300 Maintenance Burden.

b. The cost of direct labor, materials and supplies, as well as outside repairs, used in the maintenance and repair of property and equipment shall be recorded on running job orders or tickets covering repairs and periodic inspections except servicing. Where a number of like items are maintained on a group basis, it will be necessary to maintain only one job order for each group.

c. When supervisory personnel such as crew chiefs, inspectors and foremen are engaged in direct labor in connection with equipment maintenance, a proportionate part of their salaries and wages shall be charged to the appropriate direct labor accounts. The cost of transporting property to and from shops for repair and maintenance shall be included as a part of the cost of the materials and supplies used in the repair or maintenance of such property and equipment. Transportation charges, customs and duties, etc., shall be included in the cost of repairs and maintenance operations when made by outside parties.

5300 *Maintenance Burden.*

a. This subfunction shall include all overhead or general expenses used directly in the activities involved in periodic maintenance operations and the maintenance and repair of property and equipment of all types and classes, including the cost of direct labor, materials and outside services used in the maintenance and repair of property and equipment carried in balance sheet accounts 1634 Maintenance and Engineering Equipment, and 1640.1 Maintenance Buildings and Improvements. It shall include expenses related to the administration of maintenance stocks and stores, the keeping of pertinent maintenance operations records, and the scheduling, controlling, planning and supervision of maintenance operations.

b. This subfunction shall not include expenses related to financial accounting, purchasing or other overhead activities which are of general applicability to all operating functions. Such expenses shall

be included in function 6800 General and Administrative.

c. This subfunction shall include only those expenses attributable to the current air transport operations of the air carrier. Maintenance burden associated with capital projects of the air carrier, other than overhauls of airframes and aircraft engines, shall be allocated thereto in accordance with the provisions of section 2-9(b). Maintenance burden incurred in common with services to other companies and operating entities shall be allocated thereto on a pro rata basis unless such services are so infrequent in performance or small in volume as to result in no appreciable demands upon the air carrier's maintenance facilities. When overhauls of airframes or aircraft engines are as a consistent practice accounted for on an accrual basis instead of expensed directly, maintenance burden shall be allocated thereto on a pro rata basis. Standard burden rates may be employed for quarterly allocations of maintenance burden provided the rates are reviewed at the close of each fiscal year, at least. When the actual burden rate for the year differs materially from the standard burden rate applied, adjustment shall be made to reflect the actual costs incurred for the full accounting year. Allocations of maintenance burden to capital projects, and service sales to others shall be effected through the individual maintenance burden objective accounts, except that the air carrier may effect such allocations by credits to profit and loss account 77 Uncleared Expense Credits under circumstances in which the use of that account will not undermine the significance of the individual maintenance burden objective accounts in terms of the expense levels associated with the air carrier's air transport services. Maintenance burden allocated to overhauls shall be credited to profit and loss subaccounts 5372.2 or 5372.7 Airworthiness Reserve Charges. Each air carrier shall file with the Civil Aeronautics Board a statement, as a supplement to the Form 41 report, in which procedures followed in allocating maintenance burden between current transport services, overhauls, capital projects and outside services are fully explained. Revisions in such allocations shall not be made effective without written notice to the Civil Aeronautics Board.

**5500 Passenger Service.**

This function shall include all expenses chargeable directly to activities contributing to the comfort, safety and convenience of passengers while in flight and when flights are interrupted. It shall not include expenses incurred in enplaning or deplaning passengers, or in securing and selling passenger transportation and caring for passengers prior to entering a flight status. Such expenses shall be included in functions 6400 Aircraft and Traffic Servicing and 6700 Promotion and Sales, respectively.

**6400 Aircraft and Traffic Servicing.**

(a) This function shall include the compensation of ground personnel and other expenses incurred on the ground incident to the protection and control of the in-flight movement of aircraft, scheduling and preparing aircraft operational crews for flight assignment, handling and servicing aircraft while in line operation, servicing and handling traffic on the ground, subsequent to the issuance of documents establishing the air carrier's responsibility to provide air transportation, and in-flight expenses of handling and protecting all nonpassenger traffic including passenger baggage.

(b) This function shall include only those aircraft servicing and cleaning expenses which are incurred as an incidental routine during the normal productive use of aircraft in line operations. It shall not include expenses incurred in the repair and maintenance of property and equipment, or in checking or inspecting property and equipment in accordance with prescribed operational standards when such activities are not an incidental routine during the normal productive use of aircraft. Such expenses shall be included in function 5400 Maintenance.

(c) This function shall not include expenses incurred in securing traffic, arranging aircraft space for traffic sold or in issuing documents confirming traffic sales and establishing the air carrier's responsibilities to provide air transportation. Such expenses shall be included in function 6700 Promotion and Sales. However, for purposes of this system of accounts, expenses attributable to the operation of airport traffic offices, excluding reservation centers, shall be included in this function. Expenses attributable to the operation of reservation or aircraft space control centers shall be included in function 6700 Promotion and Sales regardless of the location at which incurred.

(d) Group III air carriers shall further subdivide this function as follows:

6100 *Aircraft Servicing.*

a. This subfunction shall include the compensation of ground personnel and other expenses incurred on the ground incident to the protection and control of the in-flight movement of aircraft; scheduling or preparing aircraft operational crews for flight assignment; landing and parking aircraft; visual inspection, routine checking, servicing and fueling of aircraft; and other expenses incurred on the ground incident to readying for arrival and take-off of aircraft.

6200 *Traffic Servicing.*

a. This subfunction shall include the compensation of ground personnel and other expenses incurred on the ground incident to handling traffic of all types and classes on the ground subsequent to the issuance of documents establishing the air carrier's responsibility to provide air transportation. Expenses attributable to the operation of airport traffic offices shall also be included in this subfunction; expenses attributable to reservations centers shall be excluded. It shall include expenses incurred in both enplaning and deplaning traffic as well as expenses incurred in preparation for enplanement and all expenses subsequent to deplanement.

b. This subfunction shall also include costs incurred in handling and protecting all nonpassenger traffic while in flight. It shall not include expenses incurred in contributing to the comfort, safety and convenience of passengers while in flight or when flights are interrupted. Such expenses shall be included in function 5500 Passenger Service.

6300 *Servicing Administration.*

a. This subfunction shall include expenses of a general nature incurred in performing supervisory or administrative activities relating solely and in common to subfunctions 6100 Aircraft Servicing and 6200 Traffic Servicing.

b. This subfunction shall not include supervisory or administrative expenses which can be charged directly to subfunction 6100 Aircraft Servicing or subfunction 6200 Traffic Servicing. Nor shall this subfunction include expenses of a general administrative character and of significant amount regularly contributing to operating functions generally. Such expenses shall be included in function 6800 General and Administrative.

c. The expenses in this subfunction shall be recorded separately for each geographic location at which incurred.

**6700 Promotion and sales.**

(a) This function shall include expenses incurred in creating public preference for the air carrier and its services; stimulating the development of the air transport market; and promoting the air carrier or developing air transportation generally.

(b) It shall also include the compensation of personnel and other expenses incident to documenting sales; expenses incident to controlling and arranging or confirming aircraft space for traffic sold; expenses incurred in direct sales solicitation and selling of aircraft space; and expenses incurred in developing tariffs and schedules for publication.

(c) This function shall not include expenses incurred in handling traffic subsequent to the issuance of documents establishing the air carrier's responsibility to provide air transportation which shall be included in functions 5500 Passenger Service and 6400 Aircraft and Traffic Servicing. However, for purposes of this system of accounts, expenses attributable to the operation of airport traffic offices, excluding reservation centers, shall be included in function 6400 Aircraft and Traffic Servicing. Expenses attributable to the operation of reservation or aircraft space control centers shall be included in function 6700 Promotion and Sales regardless of the location at which incurred.

(d) Group III air carriers shall subdivide this function as follows:

6500 *Reservations and Sales.*

This subfunction shall include expenses incident to direct sales solicitation, documenting sales, controlling and arranging or confirming aircraft space sold, and in developing tariffs and schedules for publication. It shall also include expenses attributable to the operation of city traffic offices. Expenses incurred in stimulating traffic and promoting the air carrier or air transportation generally shall not be included in this subfunction but in subfunction 6600 Advertising and Publicity.

6600 *Advertising and Publicity.*

a. This subfunction shall include expenses incurred in creating public preference for the air carrier and its services; stimulating development of the air transport market; and promoting the air carrier or developing air transportation generally.

b. This subfunction shall not include expenses incurred in direct sales solicitation and selling of aircraft space. Such costs shall be included in subfunction 6500 Reservations and Sales.

**6800 General and Administrative.**

(a) This function shall include expenses of a general corporate nature and expenses incurred in performing activities which contribute to more than a single operating function such as general financial accounting activities, pur-

chasing activities, representation at law, and other general operational administration, which are not directly applicable to a particular function.

(b) This function shall not include expenses incurred directly in promoting traffic or in promoting relations of the air carrier generally with the public which shall be included in function 6700 Promotion and Sales. Nor shall this function include expenses, regularly applicable in large part to a specific function, which contribute only incidentally, or in small amount, to various other functions. Such expenses when of such size as will not distort the function to which predominantly related, shall be included in the specific function to which regularly related. However, expenses of a general administrative character and of significant amount regularly contributing to operating functions generally shall be included in this function.

**7000 Depreciation and Amortization.**

This function shall include all charges to expense to record losses suffered through current exhaustion of the serviceability of property and equipment due to wear and tear from use and the action of time and the elements, which are not replaced by current repairs, as well as losses in serviceability occasioned by obsolescence, supersession, discoveries, change in popular demand or action by public authority. It shall also include charges for the amortization of capitalized developmental and preoperating costs, and other intangible assets applicable to the performance of air transportation. (See section 5–5 and section 6—1830 and 1880.)

## Section 12—Objective Classification—Operating Revenues

**00 General Instructions.**

(a) The objective accounts established in this section are prescribed for all air carrier groups. Each air carrier shall credit the gross revenues accruing from services ordinarily associated with air transportation or its incidental services, to the appropriate account established for each revenue source. Expenses incident to transport services from which revenue is earned shall not be charged to the related revenue account. However, direct costs of forwarding traffic as a result of interrupted trips, and refunds of sales, shall be charged to the applicable revenue account.

(b) Revenues accruing from transactions conducted in foreign currencies shall be credited to the applicable objective accounts at the United States dollar equivalent, at currently realizable, or officially prescribed rates of exchange, of foreign currencies received or due the air carrier from sales. (See section 2–3.)

(c) Expenses directly associated with the performance of incidental services shall be charged to the applicable incidental revenue account. (See section 9–4600.) Except as provided in operating expense objective account 77 Uncleared Expense Credits, all expenses allocated to incidental services shall be cleared by appropriate credits to the applicable operating expense objective accounts.

**01 Passenger.**

(a) Record here revenue from the transportation of passengers by air including infants transported at reduced fares, berth charges, surcharges for premium services and other similar charges. Service charges for persons travelling on a nonrevenue basis shall be recorded in objective account 19 Other Operating Revenues.

(b) This account shall be subdivided as follows by all air carrier groups:

01.1 *Passenger—First Class.*

Record here revenue from the air transportation of passengers moving at either standard fares or premium fares, or at reduced fares not predicated upon the use of aircraft space specifically separated from first class, and for whom standard or premium quality services are provided.

01.2 *Passenger—Coach.*

Record here revenue from the air transportation of passengers moving at special fares reduced from the first class or premium fares which are predicated upon both the operation of specifically designated aircraft space and a reduction in the quality of service regularly and ordinarily provided.

**02 United States Mail.**

(a) Record here revenue from the transportation by air of United States mail at service mail rates established by the Civil Aeronautics Board.

(b) Fines and penalties imposed by the United States Government in connection with the carriage of mail shall not be charged to this account but to profit and loss account 89 Miscellaneous Nonoperating Debits.

(c) This account shall be subdivided as follows by all air carrier groups:

02.1 *Priority.*

Record here revenue from mail bearing postage at rates established specifically for air mail service or mail moving at service transportation rates equivalent to those established for mail bearing the full air mail postage.

02.2 *Nonpriority.*

Record here revenue from mail moving at service transportation rates lower than those established for mail bearing postage established specifically for air mail service.

**03 Foreign Mail.**

(a) Record here revenue from the transportation by air of mail other than United States mail.

(b) Fines and penalties imposed by foreign governments shall not be charged to this account but to profit and loss account 89 Miscellaneous Nonoperating Debits.

**06 Property.**

(a) Record here revenue from the transportation by air of property including excess passenger baggage.

(b) Revenues resulting from services incidental to the transportation services such as collection of shipper's interest insurance premiums and charges and fees for service such as pick-up and delivery, assembly and distribution, storage and handling, and C.O.D. collection shall not be credited to this account but to profit and loss account 17 Air Cargo Services.

(c) This account shall be subdivided as follows by all air carrier groups:

06.1 *Express.*

Record here revenue from the transportation by air of express as defined in tariffs filed with the Civil Aeronautics Board.

06.2 *Freight.*

Record here revenue from the transportation by air of property other than express and passenger baggage.

06.3 *Excess Passenger Baggage.*

Record here revenue from the transportation by air of passenger baggage in excess of fixed free weight.

**07 Charter and Special.**

(a) Record here the revenue from nonscheduled air transport services (except as otherwise required by profit and loss Account 86 Income from Nontransport Ventures) where the party receiving the transportation obtains exclusive use of an aircraft at either published tariff or other contractual rates and the remuneration paid by the party receiving transportation accrues directly to, and the responsibility for providing transportation is that of, the accounting air carrier. This account shall also include revenues from air transport services other than inter-airport services, whether scheduled or nonscheduled, where each passenger or shipment receiving transportation is individually documented and does not obtain exclusive use of an aircraft.

(b) This account shall not include revenues or fees received from other air carriers for flight facilities furnished or operated by the accounting air carrier where the remuneration paid by the party receiving transportation accrues directly to, and the responsibility for providing transportation is that of, other air carriers. Such revenues and related expenses shall be included in profit and loss account 11 Rents, 13 Interchange Sales—Associated Companies, 15 Interchange Sales—Outside, or 18 Other Incidental Revenues, as appropriate.

(c) This account shall be subdivided as follows by all air carrier groups:

07.1 *Passenger.*

Record here revenue from the transportation of passengers and their personal baggage at rates set forth in passenger charter tariffs.

07.2 *Property.*

Record here revenue from the transportation of property at rates set forth in property charter tariffs and revenue from the transportation of passengers and property simultaneously at rates set forth in mixed passenger and property charter tariffs.

**08 Section 406 Subsidy.**

Record here amounts of compensation fixed pursuant to section 406(b) of the Federal Aviation Act which exceed amounts accruing to the air carrier under service mail rates established by the Civil Aeronautics Board for the carriage of United States mail.

**09 Foreign Exchange Fluctuation Adjustments.**

Record here gains or losses from transactions involving currency conversions resulting from normal, routine, day-to-day fluctuations in rates of foreign exchange in accordance with provisions of section 2–3. Gains or losses of a nonroutine abnormal character shall not be entered in this account but in profit and loss account 85 Foreign Exchange Adjustments.

**10 Hotel, Restaurant and Food Service.**

(a) Record here revenues from and expenses related to the operation of hotels and restaurants and similar facilities, and from sales of food. (See section 13–51.)

(b) This account shall be subdivided as follows by all air carrier groups:

10.1 Gross Revenues.
10.2 Depreciation Expense.
10.3 Other Expenses.

**11 Rents.**

(a) Record here revenues from and expenses related to property and equipment owned or leased which has been rented or subleased to others exclusive of associated companies. This account shall not include fees from the use by others of air carrier aircraft under aircraft interchange agreements.

(b) This account shall be subdivided as follows by all air carrier groups:

11.1 Gross Revenues.
11.2 Depreciation Expense.
11.3 Other Expenses.

**12 Limousine Service.**

(a) Record here revenues from and expenses related to the operation of passenger limousine surface transportation services.

(b) This account shall be subdivided as follows by all air carrier groups:

12.1 Gross Revenues.
12.2 Depreciation Expense.
12.3 Other Expenses.

**13 Interchange Sales—Associated Companies.**

(a) Record here the revenues or fees from and the expenses related to services provided associated companies by the air carrier under aircraft interchange agreements. This account shall be charged and the applicable operating expense objective accounts shall be credited, except as provided in operating expense objective account 77 Uncleared Expense Credits, with the expenses attaching to services provided associated companies under aircraft interchange agreements.

(b) This account shall not include revenues or expenses related to air transportation services performed in the name of and for the account of the accounting air carrier. Such revenues shall be included in applicable transport revenue and operating expense objective accounts.

(c) This account shall be subdivided as follows by all air carrier groups:

13.1 Gross Revenues.
13.2 Depreciation Expense.
13.3 Other Expenses.

**14 General Service Sales—Associated Companies.**

(a) Record here the revenues, commissions or fees from and expenses related to other than air transportation and aircraft interchange services provided associated companies by the air carrier. This account shall include the contractual fees or other revenues from and expenses related to services provided associated companies in the operation of facilities which are used jointly with associated companies, as well as revenues from and the costs related to the sale of supplies, parts and repairs sold directly or furnished as a part of services to associated companies.

(b) This account shall not include consideration received from sales of property, equipment, materials or supplies when disposed of as a part of a program involving retirement of property and equipment as opposed to routine sales and services to associated companies unless such disposition is conducted as a normal part of the incidental sales activity. Such retirement gains or losses shall be included in capital gains and losses accounts. Maintenance parts, materials or supplies sold as a service to associated companies shall be charged to this account at cost without adjustment of related obsolescence or depreciation reserves.

(c) This account shall be subdivided as follows by all air carrier groups:

14.1 Gross Revenues.
14.2 Depreciation Expense.
14.3 Other Expenses.

**15 Interchange Sales—Outside.**

(a) Record here the revenues or fees from and the expenses related to services provided other than associated companies by the air carrier under aircraft interchange agreements. This account shall be charged and the applicable operating expense objective accounts shall be credited, except as provided in operating expense objective account 77 Uncleared Expense Credits, with the expenses attaching to services provided other than associated companies under aircraft interchange agreements.

(b) This account shall not include revenues or expenses related to air transportation services performed in the name of and for the account of the accounting air carrier. Such revenues and expenses shall be included in applicable transport revenue and operating expense objective accounts.

(c) This account shall be subdivided as follows by all air carrier groups:

15.1 Gross Revenues.
15.2 Depreciation Expense.
15.3 Other Expenses.

**16 General Service Sales—Outside.**

(a) Record here the gross revenues, commissions or fees from and expenses related to other than air transportation and aircraft interchange services provided to other than associated companies by the air carrier. This account shall include the contractual fees or other revenues from and expenses related to services provided to other than associated companies in the operation of facilities which are used jointly with others, as well as revenues from and the costs related to the sale of supplies, parts and repairs sold directly or furnished as a part of services to others.

(b) This account shall not include consideration received from sales of property, equipment, materials or supplies when disposed of as a part of a

program involving retirement of property and equipment as opposed to routine sales and services to others unless such disposition is conducted as a normal part of the incidental sales activity. Such retirement gain or loss shall be included in capital gains and losses accounts. Maintenance parts, materials or supplies sold as a service to others shall be charged to this account at cost without adjustment of related obsolescence or depreciation reserves.

(c) This account shall be subdivided as follows by all air carrier groups:

16.1 Gross Revenues.
16.2 Depreciation Expense.
16.3 Other Expenses.

**17 Air Cargo Services.**

(a) Record here fees and other revenues from and expenses related to incidental services performed in connection with cargo shipments such as pick-up and delivery fees, shipper's interest insurance charges, storage and handling fees, etc.

(b) This account shall be subdivided as follows by all air carrier groups:

17.1 Gross Revenues.
17.2 Depreciation Expense.
17.3 Other Expenses.

**18 Other Incidental Revenues.**

(a) Record here revenues from and expenses related to incidental services not provided for in profit and loss accounts 10 through 17, inclusive, such as revenues and expenses incident to the operation of flight facilities by the accounting air carrier, except those operated under aircraft interchange agreements, where the remuneration paid by the party receiving transportation accrues directly to, and the responsibility for providing transportation is that of, other air carriers; and revenues and expenses incident to vending machines, parcel rooms, storage facilities, etc.

(b) This account shall include receipts and payments under agreements with other air carriers providing for mutual financial assistance in the case of work stoppages.

(c) Revenues from the renting or leasing of property and equipment to others shall not be included in this account but in profit and loss account 11 Rents.

(d) This account shall be subdivided as follows by all air carrier groups:

18.1 Gross Revenues.
18.2 Depreciation Expense.
18.3 Other Expenses.

**19 Other Operating Revenues.**

(a) Record here revenues associated with air transportation conducted by the air carrier, not provided for in profit and loss accounts 01 through 09, inclusive, such as revenue from service charges for failure to cancel or for late cancellation of air transportation reservations and revenue from nontransportation service charges collected on both revenue and nonrevenue flights.

(b) Revenues derived from sightseeing, aerial photography, advertising, or other special flights shall not be included in this account but in account 07 Charter and Special.

(c) This account shall be subdivided as follows by all air carrier groups:

19.1 Reservations Cancellation Fees.
19.9 Miscellaneous Operating Revenue.

## Section 13—Objective Classification—Operating Expenses

**00 General Instructions.**

(a) Each element of expense ordinarily associated with air transportation services shall be charged to the accounts established in this section in accordance with the objectives served by each expenditure. Basic objective accounts, applicable to all air carrier groups, are established for recording all expense elements. These basic accounts are in certain areas subdivided to provide greater detail for indicated air carrier groups.

(b) To the end that the integrity of the prescribed objective accounts shall not be impaired, each air carrier shall: (1) charge the appropriate account prescribed for each service purchased or expense element incurred expressly for the benefit of the air carrier regardless of whether incurred directly by the air carrier or through an agent or other intermediary, and (2) except as provided in objective account 77 Uncleared Expense Credits, credit or charge, as appropriate, the account prescribed for each expense element which may be involved in distributions of expenses between (i) separate operating entities of the air carrier, (ii) incidental and transport services or transport functions, (iii) balance sheet and profit and loss elements and (iv) the air carrier and others, when the expenses are incurred initially by or for the benefit of the air carrier. At the option of the air carrier, standard rates applicable to each objective account comprising a particular pool of expenses subject to assignment between two or more activities, may be established for proration purposes, provided the rates established are predicated upon the experience of the air carrier and are reviewed and modified as appropriate at least once each year.

**21 General Management Personnel.**

Record here the compensation, including vacation and sick leave pay, of general officers and supervisors, and immediate assistants regardless of locality at which based, responsible for an activity not provided for in profit and loss accounts 25 through 35, inclusive, or an activity involving two or more such accounts.

**23 Pilots and Copilots.**

Record here the compensation, including vacation and sick leave pay, of pilots and copilots assigned or held inactive awaiting assignment to flight duty.

**24 Other Flight Personnel.**

Record here the compensation, including vacation and sick leave pay, of other flight personnel assigned or held inactive awaiting assignment to flight status, not responsible for the in-flight management of aircraft, such as engineers, navigation officers and cabin attendants.

**25 Maintenance Labor.**

(a) Record here the compensation for time of personnel spent directly on specific property and equipment maintenance projects. (See sections 10 and 11—5200.) Vacation and sick leave pay shall be charged to profit and loss account 28 Trainees, Instructors and Unallocated Shop Labor.

(b) This account shall be subdivided as follows:

GROUP II AND GROUP III AIR CARRIERS

25.1 *Labor—Airframes.*

Record here the direct labor expended upon airframes and spare parts related to airframes.

25.2 *Labor—Aircraft Engines.*

Record here the direct labor expended upon aircraft engines and spare parts related to aircraft engines.

25.3 *Labor—Other Flight Equipment.*

Record here the direct labor expended upon flight equipment (including instruments), other than airframes, aircraft engines and spare parts related to airframes and aircraft engines. Instruments shall include all gauges, meters, measuring devices, and indicators, together with appurtenances thereto for installation in aircraft and aircraft engines, which are maintained separately from airframes and aircraft engines.

GROUP I AIR CARRIERS

25.6 *Labor—Flight Equipment.*

Record here the direct labor expended upon flight equipment of all types and classes.

ALL AIR CARRIER GROUPS

25.9 *Labor—Ground Property and Equipment.*

Record here the direct labor expended upon ground property and equipment of all types and classes. Direct labor expended upon general ground properties shall be

charged to subfunction 5200 Direct Maintenance; and direct labor expended upon maintenance buildings and equipment shall be charged to subfunction 5300 Maintenance Burden.

**26 Aircraft and Traffic Handling Personnel.**

(a) Record here the compensation, including vacation and sick leave pay, of personnel of all types and classes, including direct supervisory personnel, assigned to ground activties, engaged directly in protecting and controlling aircraft in flight, scheduling and preparing flight crews for flight assignment, parking and servicing aircraft incidental to line operations, and of personnel of all types and classes engaged in servicing and handling traffic of all types and classes on the ground.

(b) This account shall be subdivided as follows by Group II and Group III air carriers:

26.1 *General Aircraft and Traffic Handling Personnel.*

Record here compensation of personnel handling or controlling aircraft and generally servicing or handling traffic of all types and classes whose activities are not identifiable with the particular activities provided for in subaccounts 26.2, 26.3 or 26.4, inclusive.

26.2 *Aircraft Control Personnel.*

Record here compensation of personnel whose activities are identifiable with the protection and control of aircraft in flight and in scheduling or preparing flight crews for flight assignment.

26.3 *Passenger Handling Personnel.*

Record here compensation of personnel whose activities are identifiable with the handling of passengers.

26.4 *Cargo Handling Personnel.*

Record here compensation of personnel whose activities are identifiable with the handling of passenger baggage, mail, express or freight.

**28 Trainees, Instructors, and Unallocated Shop Labor.**

(a) Record here the compensation, including vacation and sick leave pay, of instructors and personnel in an off-the-job training status; direct maintenance personnel compensation not assigned to specific projects; and vacation or sick leave pay of direct maintenance personnel.

(b) This account shall be subdivided as follows by all air carrier groups:

28.1 *Trainees and Instructors.*

Record here the compensation of instructors and personnel in a training status.

28.2 *Unallocated Shop Labor.*

Record here the pay of direct maintenance personnel which has not been assigned to profit and loss account 25 Maintenance Labor for time spent on specific maintenance projects, and vacation or sick leave pay of direct maintenance personnel.

**30 Communications Personnel.**

Record here the compensation, including vacation and sick leave pay, of personnel of all types and classes, including direct supervisory personnel, engaged in local, interstation, or ground-air communications activities. This account shall include compensation of personnel such as radio operators, telephone operators, switchboard operators, teletype operators, messengers, etc.

**31 Record Keeping and Statistical Personnel.**

Record here the compensation, including vacation and sick leave pay, of personnel including supervisory personnel, whose primary duties relate to maintaining records or conducting economic or other analyses required for general management controls, such as accountants, economists, statisticians, maintenance record clerks, stores record clerks, stores receiving and issuing clerks and file clerks. This account shall not include personnel engaged in documentation or other activities constituting an integral part of activities encompassed by other objective accounts.

**32 Lawyers and Law Clerks.**

Record here the compensation, including vacation and sick leave pay, of air carrier personnel engaged in law research or representing the air carrier in matters of law.

**33 Traffic Solicitors.**

Record here the compensation, including vacation and sick leave pay, of personnel engaged directly in solicitation of traffic of all types and classes. This account shall not include compensation of traffic office personnel engaged in soliciting activities incidental to the documenting of sales and assigning aircraft space which shall be included in profit and loss account 26 Aircraft and Traffic Handling Personnel.

**34 Purchasing Personnel.**

(a) Record here the compensation, including vacation and sick leave pay, of personnel, including direct supervisory personnel, engaged in purchasing activities.

(b) This account shall include compensation of personnel engaged in maintaining purchasing records but shall not include compensation of personnel responsible for the control of inventories or stores which shall be included in objective account 31 Record Keeping and Statistical Personnel. In cases where the responsibility for maintaining purchasing and stores records are inseparable, the related compensation may be accounted for in accordance with dominant responsibilities.

**35 Other Personnel.**

Record here the compensation, including vacation and sick leave pay, of personnel whose activities are not identifiable with activities provided for in profit and loss accounts 21 through 34, inclusive.

**36 Personnel Expenses.**

(a) Record here expenses incurred by officers, executives, directors and other personnel, whether for the benefit of the air carrier or for the private benefit of such persons, which are directly or indirectly borne by the air carrier.

(b) This account shall include allowances in lieu of expenses as well as expenses incurred for travel, lodgings, meals, entertainment of individuals or groups of individuals, and membership fees and dues in professional or social clubs and associations.

(c) Records shall be maintained in a conveniently accessible form which will separately and clearly document each charge to this account in terms of its natural characteristics and contribution to the performance of the air carrier's transport operations. The records shall be maintained in such manner as will identify specifically the persons incurring the cost and will facilitate the accumulation of costs to be reported on schedule G–42 of CAB Form 41. Costs for standby hotel or other facilities maintained for the air carrier's personnel generally, need not be allocated among the individuals using such facilities; however, sufficiently detailed records are required to identify the use made of such facilities by each individual.

**37 Communications Purchased.**

Record here expenses, including related taxes, incurred for rental of communication services and for communication services of all types and classes not provided by personnel of the air carrier, such as telegraph, telephone, teletype, private line services, and charges for communication services from organizations operated jointly with associated companies or others.

**38 Light, Heat, Power and Water.**

Record here charges related to the provision of light, heat, power and water, including related taxes.

**39 Traffic Commissions.**

(a) Record here charges by others, including associated companies, for commissions arising from sales of transportation. Commissions, fees or other charges incurred for general agency services, as opposed to commissions arising from sales of transportation, shall not be included in this account but in profit and loss account 42 General Services Purchased—Associated Companies or profit and loss account 43 General Services Purchased—Outside, as appropriate.

(b) This account shall be subdivided as follows by Group II and Group III air carriers:

39.1 *Commissions—Passenger.*

Record here charges for commissions arising from sales of passenger transportation.

39.2 *Commissions—Property.*

Record here charges for commissions arising from sales of nonpassenger transportation.

**40 Legal Fees and Expenses.**

Record here expenditures incurred for legal services by counsel retained on a fee basis and related expenses reimbursed or borne directly by the air carrier and other expenses incurred directly by the air carrier for legal supplies not obtainable from the air carrier's general stationery stock. This account shall not be charged with legal fees or expenses incurred in connection with claims occasioned by accidents or other casualties. Such charges shall be accumulated in balance sheet account 1890 Other De-

ferred Charges and cleared to profit and loss account 58 Injuries, Loss and Damage upon settlement of insurance claims. Nor should this account include fees or expenses related to developmental projects. Such expenses shall be included as appropriate in profit and loss account 89 Miscellaneous Nonoperating Debits or balance sheet account 1830 Developmental and Preoperating Costs.

**41 Professional and Technical Fees and Expenses.**

Record here fees and expenses, other than legal fees and expenses, incurred for outside professional and technical services which are reimbursed or borne directly by the air carrier. This account shall not include fees or expenses related to developmental projects. Such expenses shall be included, as appropriate, in profit and loss account 89 Miscellaneous Nonoperating Debits or balance sheet account 1830 Developmental and Preoperating Costs.

**42 General Services Purchased—Associated Companies.**

(a) Record here charges for services performed for the air carrier by associated companies which are not identifiable with services provided for in profit and loss accounts 37 through 41, inclusive, or which are not expressly indentifiable with other objective expense accounts.

(b) Charges from associated companies for services provided the air carrier under aircraft interchange agreements or other agreements embracing a complete activity or service such as the operation of jointly used ground facilities, shall be included in this account for each operating function to which the services contribute. Charges for providing aircraft capacity including charges for depreciation and interest on the capital related to the flight equipment provided shall be included in function 5100 Flying Operations.

(c) This account shall be subdivided as follows by each air carrier group:

GROUP II AND GROUP III AIR CARRIERS

42.1 *Airframe Repairs—Associated Companies.*

Record here charges by associated companies for maintenance or repair of airframes and spare parts related to airframes owned or leased by the air carrier. Charges by associated companies for maintenance of airframes provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 42.7 Aircraft Interchange Charges—Associated Companies.

42.2 *Aircraft Engine Repairs—Associated Companies.*

Record here charges by associated companies for maintenance or repair of aircraft engines including spare parts related to aircraft engines owned or leased by the air carrier. Charges by associated companies for maintenance of aircraft engines provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 42.7 Aircraft Interchange Charges—Associated Companies.

42.3 *Other Flight Equipment Repairs—Associated Companies.*

Record here charges by associated companies for maintenance or repair of flight equipment (including instruments) owned or leased by the air carrier, other than airframes, aircraft engines, and spare parts related to airframes and aircraft engines. Instruments shall include all gauges, meters, measuring devices, and indicators, together with appurtenances thereto for installation in aircraft and aircraft engines, which are maintained separately from airframes and aircraft engines. Charges by associated companies for maintenance of flight equipment provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 42.7 Aircraft Interchange Charges—Associated Companies.

GROUP I AIR CARRIERS

42.6 *Flight Equipment Repairs—Associated Companies.*

Record here charges by associated companies for maintenance or repair of flight equipment of all types and classes owned or leased by the air carrier. Charges by associated companies for maintenance of flight equipment provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 42.7 Aircraft Interchange Charges—Associated Companies.

ALL AIR CARRIER GROUPS

42.7 *Aircraft Interchange Charges—Associated Companies.*

Record here charges by associated companies for providing aircraft capacity or services related to the direct operation or maintenance of flight equipment under aircraft interchange agreements.

42.8 *General Interchange Service Charges—Associated Companies.*

Record here charges by associated companies for services provided the air carrier under aircraft interchange agreements, other than charges related to the direct operation or maintenance of flight equipment, including all charges for maintenance and repair of ground properties, as well as fees or charges for traffic solicitation and sales, or supervision and administration covered by the aircraft interchange agreements. Charges for depreciation or interest on capital related to flight equipment provided under interchange agreements shall not be included in this subaccount but in subaccount 42.7 Aircraft Interchange Charges-Associated Companies.

42.9 *Other Services—Associated Companies.*

a. Record here charges for services performed by associated companies not provided for elsewhere.

b. This subaccount shall include only those charges for services, not provided for in profit and loss accounts 37 to 41, inclusive, and subaccounts 42.1 to 42.8, inclusive, embracing a complete activity or service provided by associated companies, such as the operation of traffic offices or other facilities used jointly with the air carrier, which do not represent reimbursement of specific expense elements incurred expressly for the benefit of the air carrier. Reimbursement of expenses incurred expressly for the benefit of the air carrier shall be entered in appropriate personnel compensation or other objective expense accounts. The cost of services received in the repair of general ground properties shall be charged to subfunction 5200 Direct Maintenance; and services received in the repair of maintenance buildings and equipment shall be charged to subfunction 5300 Maintenance Burden.

**43 General Services Purchased—Outside.**

(a) Record here charges for services performed for the air carrier by other than associated companies which are not identifiable with services provided for in profit and loss accounts 37 through 41, inclusive, or which are not expressly identified with other objective expense accounts.

(b) Charges from others for services provided the air carrier under aircraft interchange agreements or other agreements embracing a complete activity or service, such as the operating of jointly used ground facilities, shall be included in this account for each operating function to which the services contribute. Charges for providing aircraft capacity, including charges for depreciation and interest on the capital related to the flight equipment provided, shall be included in function 5100 Flying Operations.

(c) This account shall be subdivided by each air carrier group, as follows:

GROUP II AND GROUP III AIR CARRIERS

43.1 *Airframe Repairs—Outside.*

Record here charges for maintenance or repair of airframes and spare parts related to airframes owned or leased by the air carrier. Charges by others for maintenance of airframes provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 43.7 Aircraft Interchange Charges—Outside.

43.2 *Aircraft Engine Repairs—Outside.*

Record here charges for maintenance or repair of aircraft engines, including spare parts related to aircraft engines owned or leased by the air carrier. Charges by others for maintenance of aircraft engines provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 43.7 Aircraft Interchange Charges—Outside.

43.3 *Other Flight Equipment Repairs—Outside.*

Record here charges for maintenance or repair of flight equipment (including instruments) owned or leased by the air carrier, other than airframes, aircraft engines, and spare parts related to airframes and aircraft engines. Instruments shall include all gauges, meters, measuring devices, and indicators, together with appurtenances thereto for installation in aircraft and aircraft engines, which are maintained separately from airframes and aircraft engines. Charges by others for maintenance of flight equipment provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 43.7 Aircraft Interchange Charges—Outside.

GROUP I AIR CARRIERS

43.6 *Flight Equipment Repairs—Outside.*

Record here charges for maintenance or repair of flight equipment of all types and classes owned or leased by the air carrier. Charges by others for maintenance of flight equipment provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 43.7 Aircraft Interchange Charges—Outside.

ALL AIR CARRIER GROUPS

43.7 *Aircraft Interchange Charges—Outside.*

Record here charges by other than associated companies for providing aircraft capacity or services related to the direct operation or maintenance of flight equipment under aircraft interchange agreements.

43.8 *General Interchange Service Charges—Outside.*

Record here charges by others, except associated companies, for services provided the

air carrier under aircraft interchange agreements, other than charges related to the direct operation or maintenance of flight equipment, including all charges for maintenance and repair of ground properties, as well as fees or charges for traffic solicitation and sales, or supervision and administration covered by the aircraft interchange agreements. Charges for depreciation or interest on capital related to flight equipment provided under interchange agreements shall not be included in this subaccount but in subaccount 43.7 Aircraft Interchange Charges—Outside.

43.9 *Other Services—Outside.*

Record here charges for maintenance and repair of ground property and equipment of all types and classes and other charges for services performed by others not provided for elsewhere. This subaccount shall include only those charges for services not provided for elsewhere in profit and loss accounts 37 to 43 embracing a complete activity or service provided by other than associated companies such as the operation of traffic offices or other facilities used jointly with the air carrier which do not represent reimbursement of specific expense elements incurred expressly for the benefit of the air carrier. Reimbursement of expenses incurred expressly for the benefit of the air carrier shall be entered in appropriate personnel compensation or other objective expense accounts. The cost of services received in the repair of general ground properties shall be charged to subfunction 5200 Direct Maintenance; and services received in the repair of maintenance buildings and equipment shall be charged to subfunction 5300 Maintenance Burden.

**44 Rentals and Landing Fees.**

(a) Record here rentals, fees, or charges incurred in the use of property and equipment provided by others and for the landing or storing of aircraft.

(b) This account shall be subdivided as follows by all air carrier groups:

44.1 *Rentals.*

Record here charges for use of property and equipment.

44.2 *Landing Fees.*

Record here aircraft landing charges and fees.

**45 Aircraft Fuels and Oils.**

(a) Record here the cost of fuels and oils issued from stocks of the air carrier, or delivered directly by others, to aircraft for use in flight operations. Adjustments of inventories of aircraft fuel and oil shall also be entered in this account. The cost of fuels and oils used in repairs and maintenance services and nonrefundable fuel and oil taxes shall not be included in this account but in profit and loss accounts 49 Shop and Servicing Supplies and 69 Taxes—Other than Payroll, respectively.

(b) This account shall be subdivided as follows by Group II and Group III air carriers:

45.1 *Aircraft Fuels.*

Record here the cost of fuels used in flight operations.

45.2 *Aircraft Oils.*

Record here the cost of oils used in flight operations.

**46 Maintenance Materials.**

(a) Record here the cost of materials and supplies consumed directly in specific property and equipment maintenance projects.

(b) This account shall be subdivided as follows:

GROUP II AND GROUP III AIR CARRIERS

46.1 *Materials—Airframes.*

Record here the cost of materials and supplies consumed directly in maintenance of airframes and spare parts related to airframes.

46.2 *Materials—Aircraft Engines.*

Record here the cost of materials and supplies consumed directly in maintenance of aircraft engines and spare parts related to aircraft engines.

46.3 *Materials—Other Flight Equipment.*

Record here the cost of materials and supplies consumed directly in maintenance of flight equipment (including instruments) other than airframes and aircraft engines, or spare parts related to airframes and aircraft engines. Instruments shall include all gauges, meters, measuring devices, and indicators, together with appurtenances thereto for installation in aircraft and aircraft engines, which are maintained separately from airframes and aircraft engines.

GROUP I AIR CARRIERS

46.6 *Materials—Flight Equipment.*

Record here the cost of materials and supplies consumed directly in the maintenance of flight equipment of all types and classes.

ALL AIR CARRIER GROUPS

46.9 *Materials—Ground Property and Equipment.*

Record here the cost of materials and supplies consumed directly in the maintenance of ground property and equipment of all types and classes. The cost of materials and supplies consumed in the repair of general ground properties shall be charged to subfunction 5200 Direct Maintenance and materials and supplies consumed in the repair of maintenance buildings and equipment shall be charged to subfunction 5300 Maintenance Burden.

**49 Shop and Servicing Supplies.**

Record here the cost of supplies and expendable small tools and equipment used in maintaining, servicing and cleaning property or equipment the cost of which cannot be directly assigned to a specific job or type of work.

**50 Stationery, Printing and Office Supplies.**

Record here the cost of stationery and forms used by the air carrier including the cost of engineering and shipping supplies.

**51 Passenger Food Expense.**

(a) Record here the cost of food and refreshments served passengers except food costs arising from interrupted trips.

(b) If the air carrier prepares its own food, the initial cost and expenses incurred in the preparation thereof shall be accumulated in a clearly identified clearing account through which the cost of food shall be cleared to this account, to profit and loss account 36 Personnel Expenses, and to profit and loss account 10 Hotel, Restaurant and Food Service on bases which appropriately allocate the cost of food served passengers, the cost of food provided employees without charge and the cost of food sold.

**53 Other Supplies.**

Record here the cost of supplies consumed and not provided for otherwise.

**54 Inventory Adjustments.**

Record here adjustments for overage, shortage or shrinkage of inventories carried in balance sheet accounts 1310 Flight Equipment Expendable Parts and 1330 Miscellaneous Materials and Supplies. Adjustment of aircraft fuel and oil inventories shall not be included in this account but in profit and loss account 45 Aircraft Fuels and Oils. Gains or losses from retirements of materials and supplies shall not be recorded in this account but in profit and loss account 81 Capital Gains and Losses.

**55 Insurance—General.**

(a) Record here provisions for self-insurance and the cost of purchased public liability and property damage and all other general insurance except insurance covering liability for injuries, loss and damage to passengers and cargo, and insurance carried for the protection or welfare of employees.

(b) This account shall be subdivided as follows by all air carrier groups:

55.1 *Insurance Purchased.*

Record here the cost of all purchased insurance properly chargable to this account.

55.2 *Provisions for Self-Insurance.*

Record here provisions for self-insurance against general risks, to be borne by the air carrier and properly chargeable to this account.

**56 Insurance—Traffic Liability.**

Record here the cost of purchased insurance and provisions for self-insurance covering liability for injuries, loss and damage to passengers and cargo.

**57 Insurance—Employee Welfare.**

Record here the cost of purchased insurance and provisions for self-insurance covering liability for the benefit or protection of employees, and contributions of the air carrier to employee pension or other welfare plans.

**58 Injuries, Loss and Damage.**

Record here the remainder of gains, losses or costs resulting from accidents, casualties or mishandlings, after offsetting insurance recoveries, as accumulated until finally determined, in balance sheet account 1890 Other Deferred Charges. This account shall not include gains or losses from retirement of property and equipment resulting from casualties. Such gains or losses shall be recorded in appropriate capital gains or losses accounts.

**59 Tariffs, Schedules and Timetables.**

Record here the production and distribution cost, excluding compensation of air carrier personnel, of all tariffs, operating schedules, timetables, circulars and related quick reference charts.

**60 Advertising.**

Record here the cost, excluding compensation of air carrier personnel, of all space, direct mail, spot and other adver-

tising for the purpose of increasing air travel, disseminating air travel information and publicizing services offered by the air carrier.

**62 Other Promotional and Publicity Expenses.**

Record here the costs, excluding compensation of air carrier personnel, of producing and distributing publicity releases and other expenses, not chargeable to profit and loss accounts 59 and 60, incurred for the purpose of publicizing or improving the public relations of the air carrier generally.

**63 Interrupted Trips Expense.**

Record here expenses allowed or paid for the care and serving of passengers because of unscheduled interruptions in passenger journeys. Transportation refunds and the cost of forwarding traffic by surface common carrier or otherwise as a result of such interruptions shall not be charged to this account but to the appropriate operating revenue account.

**64 Memberships.**

Record here the cost of membership dues in trade associations, chambers of commerce, or other business associations and organizations together with special assessments related thereto.

**65 Corporate and Fiscal Expenses.**

Record here corporate and fiscal fees and expenses of the air carrier and all expenses in connection with exchange and transfer of capital stock excluding expenses in connection with original issuance of capital stock.

**66 Uncollectible Accounts.**

Record here losses from uncollectible accounts and reserve provisions and adjustments thereto, for such losses. When reserves for uncollectible accounts are established, losses as realized shall be charged against such reserves and shall not be charged to this account.

**67 Clearance, Customs and Duties.**

Record here clearance, customs, duties and brokerage fees and charges applicable to clearing aircraft and traffic.

**68 Taxes—Payroll.**

Record here all taxes levied against the air carrier based upon or directly relating to compensation of personnel.

**69 Taxes—Other Than Payroll.**

(a) Record here all taxes levied against the air carrier not otherwise provided for including nonrefundable aircraft fuel and oil taxes. Interest and penalties on delinquent taxes shall not be charged to this account but to profit and loss accounts 87 Interest Expense and 89 Miscellaneous Nonoperating Debits, respectively.

(b) Entries to this account shall clearly reveal each kind of tax and the governmental agency to which paid or payable.

**71 Other Expenses.**

Record here all expenses ordinarily associated with air transportation and its incidental services not provided for otherwise.

**72 Flight Equipment Airworthiness Provisions.**

(a) Record here provisions for effecting an equitable distribution of airframe and aircraft engine overhaul costs between different accounting periods and credits for overhaul costs currently incurred. (See section 5-4 (f) and (g) for applicable policy.)

(b) This account shall be subdivided as follows by all air carrier groups:

72.1 *Airworthiness Reserve Provisions—Airframes.*

Record here current provisions for effecting an equitable distribution of airframe overhaul costs between different accounting periods.

72.2 *Airworthiness Reserve Charges—Airframes (Credit).*

Record here credits for airframe overhaul costs incurred in the current period which have been charged against related airworthiness reserves.

72.6 *Airworthiness Reserve Provisions—Aircraft Engines.*

Record here current provisions for effecting an equitable distribution of aircraft engine overhaul costs between different accounting periods.

72.7 *Airworthiness Reserve Charges—Aircraft Engines (Credit)*

Record here credits for aircraft engine overhaul costs incurred in the current period which have been charged against related airworthiness reserves.

**73 Provisions for Obsolescence and Deterioration—Expendable Parts.**

(a) Where reserves for loss in value of flight equipment expendable parts are established, provisions for accruals to such reserves shall be charged to this account and credited to balance sheet account 1311 Obsolescence and Deterioration Reserves—Expendable Parts in accordance with the provisions of that account.

(b) This account shall be subdivided as follows by all air carrier groups:

73.1 *Current Provisions.*

Record here provisions during the current period for losses in value of expendable parts.

73.2 *Inventory Decline Credits.*

Record here credits applicable to the current period for any adjustments for excess inventory reserve levels determined pursuant to section 6-1311.

**74 Amortization.**

(a) Record here amortization of deferred charges attaching to the air transportation services conducted by the air carrier which are not prepayments of recurrent expenses ordinarily requiring expenditures of working capital within one year.

(b) This account shall be subdivided as follows by all air carrier groups:

74.1 *Developmental and Preoperating Expenses.*

Record here amortization of the cost of projects carried in balance sheet account 1830 Developmental and Preoperating Costs as approved or directed by the Civil Aeronautics Board.

74.2 *Other Intangibles.*

Record here amortization of the cost of intangibles not provided for otherwise as approved or directed by the Civil Aeronautics Board.

**75 Depreciation.**

(a) Record here provisions for depreciation of property and equipment carried in balance sheet accounts 1601 through 1640, inclusive.

(b) This account shall be subdivided as follows:

ALL AIR CARRIER GROUPS

75.1 *Depreciation—Airframes.*

Record here provisions for depreciation of property and equipment carried in balance sheet account 1601 Airframes.

75.2 *Depreciation—Aircraft Engines.*

Record here provisions for depreciation of property and equipment carried in balance sheet account 1602 Aircraft Engines.

GROUP II AND GROUP III AIR CARRIERS

75.3 *Depreciation—Airframe Parts.*

Record here provisions for depreciation of spare airframe instruments and parts carried in balance sheet subaccount 1608.1 Airframe Parts and Assemblies.

75.4 *Depreciation—Aircraft Engine Parts.*

Record here provisions for depreciation of spare aircraft engine instruments and parts carried in balance sheet subaccount 1608.5 Aircraft Engine Parts and Assemblies.

ALL AIR CARRIER GROUPS

75.5 *Depreciation—Other Flight Equipment.*

Record here provisions for depreciation of property and equipment and parts carried in balance sheet accounts 1603 Aircraft Propellers, 1604 Aircraft Communications and Navigational Equipment, 1606 Miscellaneous Flight Equipment, 1607 Improvements to Leased Flight Equipment (exclusive of capitalized overhauls of leased flight equipment for which airworthiness reserves are maintained) and balance sheet subaccount 1608.9 Other Parts and Assemblies. Group I air carriers shall also include in this subaccount provisions for depreciation of property carried in balance sheet account 1608 Flight Equipment Rotable Parts and Assemblies.

75.6 *Depreciation—Flight Equipment.*

This classification is established only for purposes of control by the Civil Aeronautics Board and shall include all charges to operating expenses for depreciation of flight equipment of all types and classes.

75.8 *Depreciation—Maintenance Equipment and Hangars.*

Record here provisions for depreciation of property and equipment carried in balance sheet account 1634, Maintenance and Engineering Equipment and balance sheet subaccount 1640.1 Maintenance Buildings and Improvements.

75.9 *Depreciation—General Ground Property.*

Record here provisions for depreciation of property and equipment carried in balance sheet accounts 1630 through 1640, other than account 1634, Maintenance and Engineering Equipment and subaccount 1640.1, Maintenance Buildings and Improvements.

**77 Uncleared Expense Credits.**

(a) Record here credits to operating expenses, which have not been cleared to the objective accounts to which applicable.

(b) Each air carrier shall credit, or charge as appropriate, the objective account prescribed for each expense element which may be involved in distribution of expenses between separate reporting entities or nontransport divisions of the air carrier. At the option of the air carrier, either the individual applicable objective accounts or this account may be credited with amounts capitalized, charged against incidental services, or otherwise assigned to other than separate operating entities of the air carrier provided the aggregate credits to this account in each function do not, for any accounting year, distort the individual objective accounts of the function to which related and all expense credits applicable to complete individual transactions are consistently credited either to this account or the individual objective accounts to which related. Each air carrier using this account shall establish such standard practices as may be prescribed by the Civil Aeronautics Board or, in the absence of such action by the Civil Aeronautics Board, such standard practices as will prevent credits to this account from significantly distorting the individual objective accounts of each function to which related.

(c) This account shall not be credited with amounts applicable to objective accounts of the Flying Operations, Depreciation, and Direct Maintenance functions. Credits applicable to such functions shall be carried to the individual objective accounts to which applicable.

(d) This account shall be subdivided as follows by all air carrier groups:

77.8 *Uncleared Interchange Expense Credits.*

Record here credits to operating expenses, from operations performed for others under aircraft interchange agreements, which have not been cleared to the objective accounts to which applicable.

77.9 *Other Uncleared Expense Credits.*

Record here credits to operating expenses, from other than operations under aircraft interchange agreements, which have not been cleared to the objective accounts to which applicable.

*78 Direct Maintenance—Flight Equipment.*

This classification is established for purposes of control by the Civil Aeronautics Board and shall include all charges to operating expenses for maintenance of flight equipment of all types and classes.

**79 Applied Burden Debit/Credit.**

(a) This classification is established only for purposes of control by the Civil Aeronautics Board and reporting on Form 41 by air carriers, and shall reflect all maintenance burden applied in accordance with the provisions of section 24, schedule P–5 of this system of accounts and reports.

(b) This classification shall be subdivided as follows by all air carrier groups:

79.6 Applied Burden—Flight Equipment.
79.8 Applied Burden—General Ground Property.

## Section 14—Objective Classification—Nonoperating Income and Expense

**80 Interest Capitalized.**

(a) Record here credit amounts for interest capitalized pursuant to section 2–10 and charged to balance sheet accounts.

(b) This account shall be subdivided as follows:

80.1 *Interest Charged to Construction—Credit.*

Record here credits related to interest capitalized in balance sheet account 1689 Construction Work in Progress.

80.2 *Interest Charged to Development—Credit.*

Record here credits related to interest capitalized in balance sheet account 1830 Developmental and Preoperating Costs.

**81 Capital Gains and Losses.**

(a) Record here gains or losses on retirements of property and equipment, repair parts, supplies or materials, and investments in securities. This account shall not include gains or losses on debt securities issued by the air carrier which have been reacquired and cancelled or resold. Such gains or losses shall be recorded, as appropriate, in profit and loss account 88 Miscellaneous Nonoperating Credits or 89 Miscellaneous Nonoperating Debits. Gains or losses on reacquisition and retirement or resale of capital stock issued by the air carrier shall not be included in this account but in paid-in capital subaccount 2890.3 Other Capital Stock Transactions. Gains or losses from property carried in balance sheet account 1520 Advances to Nontransport Divisions shall be accounted for in books of nontransport divisions and treated by the air carrier as a part of quarterly profit and loss of nontransport divisions taken up through profit and loss account 86 Income from Nontransport Ventures.

(b) This account shall be subdivided as follows by all air carrier groups:

81.1 *Capital Gains and Losses—Operating Property.*

Record here gains or losses on retirements of operating property and equipment, flight equipment expendable parts, or miscellaneous materials and supplies sold or otherwise retired in connection with a general retirement program as opposed to incidental sales performed as a service to others.

81.2 *Capital Gains and Losses—Other.*

Record here gains or losses on retirement of nonoperating property and equipment and investments in securities of others.

**82 Unapplied Cash Discounts.**

Record here cash discounts on routine purchases of materials, repair parts or supplies. Cash discounts on classes of assets included in property and equipment accounts shall not be recorded in this account but shall be applied as a reduction of the cost of such assets.

**83 Interest Income.**

(a) Record here interest income from all sources. This account shall include as an increase or reduction of interest received the proportionate amortization of any discount or premium on the purchase price of securities of others held by the air carrier.

(b) This account shall not include interest on securities issued or assumed by the air carrier and subsequently reacquired.

**84 Dividend Income.**

Record here income from dividends declared on stocks of other companies owned by the air carrier. Dividends on securities issued or assumed by the air carrier and subsequently reacquired shall not be included in this account.

**85 Foreign Exchange Adjustments.**

Record here gains or losses from transactions involving currency conversions resulting from nonroutine, unusual changes in rates of foreign exchange in accordance with provisions of section 2–3.

**86 Income from Nontransport Ventures.**

(a) Record here the gross revenues and expenses applicable to operations not reasonably considered as incidental to the commercial air transport services of the accounting entity; rents from nonoperating properties used by others; income or loss from nontransport divisions; and other income or loss from activities of the air carrier which are extraneous to the air transport and incidental services of the accounting entity.

(b) This account shall include revenues and expenses applicable to nonscheduled transport services performed for the defense establishment when and as separate reports for such services are

required in accordance with Section 21 Introduction to System of Reports. Where the foregoing transport services are not required to be separately reported, gross revenues from such services shall be included in profit and loss account 07 Charter and Special, or other appropriate revenue account, and gross expenses shall be included in the appropriate operating expense functions.

**87 Interest and Debt Expense.**

(a) Record here interest on all classes of debt, including interest on unpaid taxes; premium, discount and expense on short-term obligations; and amortizations of premium, discount and expense on short-term and long-term obligations.

(b) This account shall be subdivided as follows by all air carrier groups:

87.1 *Interest on Debt Principal.*
87.2 *Amortization of Discount and Expense on Debt.*
87.3 *Amortization of Premium on Debt.*

**88 Miscellaneous Nonoperating Credits.**

Record here all credits of a nonoperating character not provided for otherwise, such as royalties from patents, and gains from the reacquisition and retirement or resale of debt securities issued by the air carrier.

**89 Miscellaneous Nonoperating Debits.**

Record here all debits of a nonoperating character not provided for otherwise, such as fines or penalties imposed by governmental authorities; costs related to property held for future use; donations for charitable, social or community welfare purposes; and losses on reacquired and retired or resold debt securities of the air carrier. This account shall be charged with amortization of amounts carried in balance sheet account 1870 Property Acquisition Adjustment unless otherwise approved or directed by the Civil Aeronautics Board.

## Section 15—Objective Classification—Income Taxes for Current Period

**91 Normal Income Taxes and Surtaxes.**

Record here proportionate quarterly provisions for accruals of Federal, state, local and foreign taxes based upon net income accruing under the normal tax and surtax rates and allocable to income of the current accounting year. This account shall include credits from the carryback of losses in the year in which the loss occurs. It shall also include adjustments of income taxes of prior years provided that inclusion will not distort net income of the current accounting year. Income taxes allocable to special income items and material income tax adjustments shall not be included in this account but in profit and loss account 97 Special Income Tax Credits and Debits (Net).

**92 Provisions for Deferred Federal Income Taxes.**

(a) Record here income tax debits and credits deferred in accordance with the provisions of balance sheet account 2340 Deferred Federal Income Taxes for those income elements specifically set forth in section 2–6(b).

(b) This account shall be subdivided as follows by all air carrier groups:

92.1 *Current Provisions for Deferred Taxes*
92.2 *Application of Taxes Deferred*
92.3 *Adjustment of Deferred Taxes*

**95 Excess Profits Taxes.**

Record here provisions for accruals, adjustments, or refunds of Federal, state, local and foreign taxes, over and above normal taxes and surtaxes, which are based upon income designated as excess net income for tax purposes.

## Section 16—Objective Classification—Special Items

**96 Special Income Credits and Debits (Net).**

Record here extraordinary income credits or debits accounted for during the current accounting year, in accordance with the provisions of section 2–7. Records supporting entries to this account shall be maintained with sufficient particularity to identify the nature and gross amount of each special income credit and each special income debit.

**97 Special Income Tax Credits and Debits (Net).**

Record here income taxes allocable to items of income included in profit and loss account 96 Special Income Credits and Debits (Net) and other extraordinary income tax assessments that do not constitute ordinary adjustments of a recurrent nature, in accordance with the provisions of section 2–7. Records supporting entries to this account shall be maintained with sufficient particularity to identify the nature and gross amount of each special credit and each special debit.

## GENERAL REPORTING PROVISIONS

### Section 21—Introduction to System of Reports

(a) Each air carrier subject to the Federal Aviation Act of 1958, as amended, shall file with the Civil Aeronautics Board, monthly, quarterly, and annual CAB Form 41 reports of financial and operating statistics as prescribed herein unless waiver is made by the Civil Aeronautics Board.

(b) The system prescribed provides for the submission by each air carrier of five classes of financial and operating statistics, on individual schedules of the CAB Form 41 report, grouped as follows:

A. Certification.
B. Balance Sheet Elements.
P. Profit and Loss Elements.
T. Traffic and Capacity Elements.
G. General Corporate Elements.
D. National Defense Elements.

(c) The prescribed system of reports provides that the frequency of reporting shall be monthly for some schedules, quarterly for some and annually for others. It also provides in some areas for the classification of air carriers into Group I, Group II and Group III with the form and content differentiated as between groups.

(d) Each schedule of the prescribed CAB Form 41 report has been assigned a specific code. The prefix alphabetical codes A, B, P, T, G, and D, respectively, have been employed to denote certification, balance sheet, profit and loss, traffic and capacity, general corporate, and national defense elements. The digits immediately following the alphabetical prefix designate the particular schedule.

(e) Each air carrier shall submit to the Office of Carrier Accounts and Statistics, Civil Aeronautics Board, Washington, D.C., four (4) copies of each schedule, except as hereinafter indicated in section 22 General Reporting Instructions. All schedules are set up in units of eight sheets each with snap-out interleaf carbons between sheets. The first sheet of each set is of white opaque paper and the second of white translucent paper. The third, fourth, and fifth sheets are of green opaque paper and the sixth, seventh, and eighth are of buff opaque paper. The data columns of the first sheet of certain schedules are separated by perforations to permit disassembly for clipboard statistical processing. The remaining sheets are unperforated and are of a format which permits filing within binders designed for standard 8½" x 14" sheets. The four copies of each schedule filed with the Civil Aeronautics Board shall be comprised of the original white sheet and the three green sheets.

(f) Wherever practicable the sheets have been designed to permit machine tabulation. Upon approval by the Civil Aeronautics Board, the carrier may supply its own continuous-feed forms provided each schedule conforms with the specifications of the forms prescribed herein.

(g) A good quality black ribbon shall be used in preparing the original copy of each schedule submitted to the Civil Aeronautics Board. In no event shall ditto or similar processes be used nor shall any information be typed on the reverse side of copies submitted to the Civil Aeronautics Board.

(h) Conversion to this system of reports. Cumulative 12-month totals hereinafter prescribed in this system of reports are waived until report for the 12 months ended December 31, 1957, with respect to the following items:

| *Schedule number* | *Cumulative 12-month totals waived* |
|---|---|
| P–1 | Operating expense classifications 5100 through 7000, inclusive, and all items following Net Income Before Special Items. |
| P–3 | All 12-month totals. |
| P–5 | All 12-month totals. |
| P–7 | All 12-month totals. |
| P–8 | All 12-month totals. |
| T–1 and T–2 | Items 016 and 017 revenue passengers carried and number of revenue passenger emplanements respectively, and item 684 Total Revenue Departures Performed. |
| T–3 | Item 9681—aircraft days assigned to service—carrier routes; Item 9683—revenue hours per aircraft per day—carrier routes; and Item 9867 through 9978, inclusive. |

(i) Separate entities shall be established for the purpose of submitting the reports hereinafter prescribed. As a general rule separate reports shall be made for entities comprised of: (1) domestic or combined domestic and Canadian transborder operations; (2) territorial or combined territorial and domestic operations; and (3) international or combined international and territorial operations. With respect to the latter two general classifications, separate reporting entities shall be established for operations via the Atlantic or Pacific Oceans and within the Alaskan or Latin American areas. The reports to be submitted by each entity shall be comparable to those required of a distinct legal entity whether the reporting entity constitutes such an entity, a semi-autonomous physically separated operating division of the air carrier, or an entity established for reporting purposes only. The application of the above general rule to be made by the different air carriers with regard to the entities for which separate reports shall be made is set forth below in the list entitled Air Carrier Reporting Entities.

AIR CARRIER REPORTING ENTITIES

| *Air carriers* | *Operations abbreviations* |
|---|---|
| AAXICO Airlines, Inc. | Dom-Cargo |
| Aerovias Sud Americana, Inc. | Int/Ter-Latin Amer |
| Alaska Airlines, Inc. | Ter/Dom-Alaska |
| Alaska Coastal Airlines | Dom-Special |
| Allegheny Airlines, Inc. | Dom-Local |
| Aloha Airlines, Inc. | Dom-Special |
| American Airlines, Inc. | Dom/Can-Trunk<br>Int/Ter-Latin Amer |
| Avalon Air Transport, Inc. | Dom-Special |
| Bonanza Air Lines, Inc. | Dom-Local |
| Braniff Airways, Inc. | Dom-Trunk<br>Int/Ter-Latin Amer |
| Capital Airlines, Inc. | Dom-Trunk |
| Caribbean-Atlantic Airlines, Inc. | Ter/Dom-Latin Amer |
| Central Airlines, Inc. | Dom-Local |
| Chicago Helicopter Airways, Inc. | Dom-Special |
| Continental Air Lines, Inc. | Dom-Trunk |
| Cordova Airlines, Inc. | Dom-Special |
| Delta Air Lines, Inc. | Dom-Trunk<br>Int/Ter-Latin Amer |
| Eastern Air Lines, Inc. | Dom/Can-Trunk<br>Ter/Dom-Latin Amer<br>Int/Ter-Atlantic<br>Int/Ter-Latin Amer |
| Ellis Air Lines | Dom/Can-Special |
| The Flying Tiger Line, Inc. | Dom-Cargo |
| Frontier Airlines, Inc. | Dom-Local |
| Hawaiian Airlines, Inc. | Dom-Special |
| Kodiak Airways, Inc. | Dom-Special |
| Lake Central Airlines, Inc. | Dom-Local |
| Los Angeles Airways, Inc. | Dom-Special |
| Mackey Airlines, Inc. | Int/Ter-Latin Amer |
| Mohawk Airlines, Inc. | Dom-Local |
| National Airlines, Inc. | Dom-Trunk<br>Int/Ter-Latin Amer |
| New York Airways, Inc. | Dom-Special |
| North Central Airlines, Inc. | Dom/Can-Local |
| Northeast Airlines, Inc. | Dom/Can-Trunk |
| Northern Consolidated Airlines, Inc. | Dom-Special |
| Northwest Airlines, Inc. | Dom-Trunk<br>Int/Ter-Pacific |
| Ozark Air Lines, Inc. | Dom-Local |
| Pacific Air Lines, Inc. | Dom-Local |
| Pacific Northern Airlines, Inc. | Ter/Dom-Alaska |
| Pan American-Grace Airways, Inc. | Int/Ter-Latin Amer |
| Pan American World Airways, Inc. | Ter/Dom-Alaska<br>Int/Ter-Atlantic<br>Int/Ter-Latin Amer<br>Int/Ter-Pacific |
| Piedmont Aviation, Inc. | Dom-Local |

AIR CARRIER REPORTING ENTITIES—Continued

| Air carriers | Operations abbreviations |
|---|---|
| Reeve Aleutian Airways, Inc | Dom-Special |
| Resort Airlines, Inc | Int/Ter-Latin Amer |
| Riddle Airlines, Inc | Dom-Cargo |
| | Ter/Dom-Latin Amer |
| Samoan Airlines Ltd | Int/Ter-Pacific |
| Seaboard World Airlines, Inc | Int/Ter-Atlantic |
| Slick Airways, Inc | Dom-Cargo |
| Southern Airways, Inc | Dom-Local |
| South Pacific Air Lines | Int/Ter-Pacific |
| Transportation Corporation of America | Ter/Dom-Latin Amer |
| Trans-Texas Airways | Dom-Local |
| Trans World Airlines, Inc | Dom-Trunk |
| | Int/Ter-Atlantic |
| United Air Lines, Inc | Dom/Can-Trunk |
| | Ter/Dom-Pacific |
| West Coast Airlines, Inc | Dom/Can-Local |
| Western Air Lines, Inc | Dom/Can-Trunk |
| | Int/Ter-Latin Amer |
| Western Alaska Airlines, Inc | Dom-Special |
| Wien Alaska Airlines, Inc | Dom-Special |

(j) As a general rule separate reports shall be filed for the air carrier and any associated company air carriers as defined in section 03. However, transactions of associated companies in which 100 percent equity control resides in the reporting air carrier shall be consolidated with transactions of the reporting air carrier when such associated companies perform services related to the transport operations of the reporting air carrier almost exclusively and are not engaged in air transportation for their own account.

(k) Generally, nonscheduled services shall be treated as an integral part of the reporting entity to which most closely related without regard to the geographic area in which such nonscheduled services may actually be performed. However, supplemental reports shall be made of nonscheduled services (including services for the defense establishment) in areas not encompassed by the prescribed reporting entity in any month in which the available ton-miles of such nonscheduled services exceed 5 percent of the total available ton-miles of the reporting entity. Such supplemental reports shall continue until waived by the Board upon a showing that such nonscheduled operations will not in the subsequent 12-month period exceed the 5 percent limit. The supplemental reports to be filed each month or calendar quarter, as applicable, shall be comprised of report schedules D–1, P–5, T–1, and T–3. Transport and nontransport revenues pertaining to such separately reported nonscheduled services shall be reflected on schedule P–2 each quarter with appropriate cross-references inserted on schedules P–3 and P–4, as applicable. In addition, airport activity data reported on the regular schedule T–4 shall be subdivided and appropriately identified at each airport for services encompassed by the prescribed reporting entity and for nonscheduled services not encompassed by the prescribed reporting entity.

(l) When and as required in the nation interest, any air carrier which performs nonscheduled transport services for the defense establishment of the United States shall, when directed by the Board, make separate reports for such services as if they were conducted by a physically separated transport entity. Such reports shall consist of schedules P–1 through P–9, T–1 and T–3. The letter "D" shall be inserted on such reports following the schedule number of each P and T schedule. Where a carrier has more than one reporting entity, nonscheduled transport and nonscheduled defense services shall be assigned to the reporting entity to which more closely related.

## Section 22—General Reporting Instructions

(a) The CAB Form 41 report shall be comprised of schedules to be filed at the frequency indicated below. Four copies of each schedule shall be filed (i.e. postmarked) with the Civil Aeronautics Board on or before the indicated number of days subsequent to the period for which the report is being made, except that only two copies of the Interim Balance Sheet and Income Statement need be filed.

| Schedule No. | | Filing | |
|---|---|---|---|
| | | Frequency | Postmark interval (days) |
| A | Certification | Quarterly | 40 |
| B–1 | Balance Sheet | do | 40 |
| B–2 | Notes to Balance Sheet | do | 40 |
| B–3 | Paid-In Capital; Self-Insurance Reserves; and Appropriations of Retained Earnings; Deferred Income Taxes. | do | 40 |
| B–4 | Reserve for Uncollectible Accounts; Accounts with Associated Companies and Nontransport Divisions. | do | 40 |
| B–5 | Property and Equipment | do | 40 |
| B–7 | Airframes and Aircraft Engines Acquired | do | 40 |
| B–7(a) | Reinvestment of Flight Equipment Capital Gains | [1] | [1] |
| B–8 | Property and Equipment Retired | Quarterly | 40 |
| B–8(a) | Flight Equipment Capital Gains Invested or Deposited for Reinvestment in Flight Equipment. | [1] | [1] |
| B–9 | Inventory of Flight Equipment Spare Parts and Assemblies | Semiannually | 40 |
| B–10 | Developmental and Preoperating Costs | Quarterly | 40 |
| B–41 | Investments Held by, or for the Account of, Respondent | Annually | 90 |
| B–42 | Accounts 1410 Short-Term Prepayments, 1550 Special Funds—Other, 1820 Long-Term Prepayments, 1880 Other Intangibles, 1890 Other Deferred Charges, 2390 Other Deferred Credits. | do | 90 |
| B–43 | Inventory of Airframes and Aircraft Engines | do | 90 |
| B–44 | Transactions With Associated Companies | do | 90 |
| B–45 | Flight Equipment Airworthiness Reserves by Airframe and Aircraft Engine Types. | do | 90 |
| | Interim Balance Sheet | Monthly | 30 |
| P–1.1 | Income Statement—Group I Air Carriers | Quarterly | 40 |
| P–1.2 | Income Statement—Group II and Group III Air Carriers | do | 40 |
| P–2 | Notes to Income Statement | do | 40 |
| P–3 | Transport Revenues; Depreciation and Amortization; Nonoperating Income and Expense—Net; Income Taxes. | do | 40 |
| P–4 | Incidental Revenues—Net; Explanation of Special Items; Explanation of Deferred Federal Income Tax Adjustments, Dividends Declared and Retained Earnings Adjustments. | do | 40 |
| P–5.1 | Aircraft Operating Expenses—Group I Air Carriers | do | 40 |
| P–5.2 | Aircraft Operating Expenses—Group II and Group III Air Carriers. | do | 40 |
| P–6 | Maintenance, Passenger Service, and General Services and Administration Expense Functions—All Air Carrier Groups. | do | 40 |
| P–7 | Aircraft and Traffic Servicing, Promotion and Sales, and General and Administrative Expense Functions—Group II and Group III Air Carriers. | do | 40 |
| P–8 | Aircraft and Traffic Servicing, and Promotion and Sales Expense Subfunctions—Group III Air Carriers. | do | 40 |
| P–9.1 | Distribution of Ground Servicing Expenses by Geographic Location—Group I Air Carriers. | do | 40 |
| P–9.2 | Distribution of Ground Servicing Expenses by Geographic Location—Group II and Group III Air Carriers. | do | 40 |
| P–10 | Payroll | do | 40 |
| P–41 | Taxes | Annually | 90 |
| | Interim Income Statement | Monthly | 30 |
| T–1 | Monthly Statement of Summarized Traffic and Capacity Statistics. | do | 30 |
| T–1(a) | Monthly Statement of Traffic and Capacity Statistics by Component Operations. | do | 30 |
| T–2 | Monthly Statement of Scheduled Services Traffic and Capacity Statistics. | do | 30 |
| T–3 | Quarterly Statement of Aircraft Operating Statistics | Quarterly | 30 |
| T–4 | On-Line Airport Activity Data | do | 40 |
| T–5 | Passenger Loads by Segment—Local Service Air Carriers | Monthly | 30 |
| T–6 | Passenger Loads by Flight—Local Service Air Carriers | do | 30 |
| T–7 | Domestic Deferred Airfreight | do | 30 |
| G–41 | Persons Holding More than 5 per centum of Respondent's Capital Stock or Capital. | Annually | 90 |
| G–42 | Compensation and Expenses of All General Officers and Directors and of Management Personnel Receiving $20,000 or more per Annum for Personal Services. | do | 90 |

[1] In accordance with the provisions of §§ 235.4 and 235.5 of Part 235 of this subchapter.

| Schedule No. | | Filing | |
|---|---|---|---|
| | | Frequency | Postmark interval (days) |
| G–43 | Compensation and Expenses of Persons and Firms (Other than Directors, Officers and Employees) Receiving $5,000 or more during the calendar year. | Annually | 90 |
| G–44 | Corporate and Securities Data | do | 90 |
| D–1 | Services Performed for the Defense Establishment | Quarterly | 40 |

(b) Each air carrier shall file the schedules of the CAB Form 41 reports with the Civil Aeronautics Board in accordance with the above instructions, except that B and P report schedules for the final quarter of each calendar year may be extended to 90 days following the year's end provided that preliminary schedules B–1, P–1.1 or P–1.2 and P–3 are submitted within the standard prescribed 40-day filing period. At the request of an air carrier, and upon a showing by such air carrier that public disclosure of its preliminary year-end report would adversely affect its interests and would not be in the public interest, the Board will withhold such preliminary year-end report from public disclosure until such time as (1) the final report is filed, (2) the final report is due, or (3) information covered by the preliminary report is publicly released by the carrier concerned, whichever first occurs.

(c) If circumstances prevent the filing of a report within the prescribed time limit, consideration will be given to the granting of an extension upon receipt of a written request therefor. Such a request must set forth good and sufficient reason to justify granting the extension, must set forth the date when the report can be filed, and be submitted sufficiently in advance of the due date to permit proper time for consideration and communication to the air carrier of the action taken. Except in cases of emergency no such request will be entertained which is not postmarked in sufficient time to normally reach the Civil Aeronautics Board at least 24 hours before the prescribed due date. If a request is denied, the air carrier remains subject to the filing requirements to the same extent as if no request for extension of time had been made.

(d) Statements of accounting or statistical procedures required to be filed under this system of accounts and reports are recapitulated below. Such procedures shall be regarded as effective 30 days after receipt by the Board unless the carrier is notified before that time of Board objections; provided that effective 60 days following notice the Board may require modification of any previously effective procedure covered by such statements:

(1) Procedures for assigning or prorating profit and loss items between operating entities, as prescribed by section 2–1(b).

(2) Procedures for retroactive adjustments made to conform accounts with mail rate actions, as required by section 2–4(d).

(3) Procedures for accrual of self-insurance reserves, as prescribed by section 2–13(c).

(4) Procedures for establishment of expense equalization reserves, as prescribed by section 2–13(d).

(5) Procedures for depreciation of property and equipment, as prescribed by section 2–14(b).

(6) Procedures of accounting for airframe and aircraft engine overhauls and airworthiness reserves as prescribed by section 5–4(g)(8).

(7) Procedures for amortization of developmental and preoperating costs and other intangibles, as prescribed by section 5–5(b), section 6–1870(c), and section 6–1880.

(8) Procedures for the accrual of obsolescence and deterioration reserves for flight equipment expendable parts, as required by section 6–1311(d).

(9) Procedures for accrual of unearned transportation revenues, as prescribed by section 6–2160(b).

(10) Procedures for assigning or prorating expenses between incidental services and transport operations, as prescribed by section 9–4600(d).

(11) Procedures for applying maintenance burden, as prescribed by section 10–5300(c), section 11–5300(c) and section 24, Schedule P–6, paragraph (f).

(12) Procedures for computing available seat-miles and available ton-miles for each aircraft type, as required by paragraph (g), in section 25, Schedule T–3.

The foregoing statements where applicable shall be filed in duplicate, no later than January 1, 1957, and statements covering subsequent changes therein shall be attached to the CAB Form 41 report filed for the period in which such revisions are made. In the case of air carriers becoming subject to this system of accounts subsequent to January 1, 1957, statements shall be filed concurrently with each air carrier's initial CAB Form 41 report.

(e) All financial data reported on B, P, and G schedules shall reflect the status of the air carrier's books of account for the period for which report is being made and shall conform to the instructions of this Uniform System of Accounts and Reports. At the option of the air carrier financial data may be reported in thousands of dollars by Group III air carriers, and in whole dollars by Group I and Group II air carriers, by either dropping or rounding the hundreds of dollars and the cents respectively, provided all amounts are balanced within and between schedules and zero digits are inserted for the actual money amounts eliminated.

(f) Traffic and other operational statistics included in schedules of the CAB Form 41 reports shall reflect data pertaining to the month, quarter or 12-months-to-date period for which the report is being made.

(g) Adjustments correcting errors in previously reported traffic and other operational statistics shall not be included in data reported in schedules for the current period but shall be effected by submission of corrected schedules for the period to which applicable or, if only a few items are involved, by written notice and authorization to the Civil Aeronautics Board to correct previously filed reports except that any correction which amounts to less than one-half of one percent (0.5%) of the corrected amount for the month to which related may be included in the report for the current month provided the amount of the correction is clearly noted on the Form 41 Report.

(h) All letters and statements of correction or revision of reported data shall be a part of the CAB Form 41 reports.

(i) All changes in accounting methods having a material impact upon the particular financial elements involved, (including but not limited to changes in methods of or bases for reserve accruals, depreciation, allocations between operating divisions or nontransport activities, and all changes in methods of computing and reporting traffic and capacity statistics having a material impact upon the particular statistic involved) shall be adequately explained and identified in the report first reflecting such changes. Such explanations related to financial position of financial results, shall be made on schedules B–2 and P–2—Notes to Balance Sheet and Notes to Income Statement, respectively. Changes in methods for computing or reporting traffic and capacity statistics shall be identified and explained on a separate sheet attached to the first report affected. (See section 2–16.) The reporting requirements shall not be construed, in any sense, as relieving the air carrier of the responsibility for conforming its procedures to those otherwise prescribed in this system of accounts and reports.

**Section 23—Certification and Balance Sheet Elements**

*Schedule A—Certification*

(a) The certification of the CAB Form 41 report shall be signed by an elective corporate officer, executive or director, or such other person as may be authorized by the carrier to sign the certification provided a written authorization disclosing the individual's name and title is forwarded to the Civil Aeronautics Board. Since corrections or revisions of reported data are a part of the CAB Form 41 report, all correspondence relating to such matters shall be signed only by persons authorized to sign the certification.

(b) The certification of the Form 41 reports, embodied in schedule A thereof, shall read as follows:

I, the undersigned ----------
---
(Title of officer in charge of accounts)
of the ----------
(Full name of the reporting company)
do certify that this report and all schedules and supporting documents which are submitted herewith or have been submitted heretofore as parts of this report filed for the above indicated period have been prepared under my direction; that I have carefully examined them and declare that they correctly reflect the accounts and records of the company, and to the best of my knowledge and belief are a complete and accurate statement, after adjustments to reflect full accruals, of the operating revenues and expenses, income items, assets, liabilities, capital, surplus, and operating statistics for the periods reported in the several schedules; that the various items herein reported were determined in accordance with the Uniform System of Accounts for Air Carriers prescribed by the Civil Aeronautics Board; and that the data contained herein are reported on a basis consistent with that of the preceding report except as specifically noted in explanations accompanying the financial and statistical statements.

*Schedule B–1 Balance Sheet*

(a) This schedule shall be filed by all air carrier groups.

(b) This schedule shall reflect the balances as at the close of business on the last day of each calendar quarter, for the overall or system operations of each air carrier in conformance with the provisions of sections 4, 5, and 6.

(c) Individual proprietors or partners shall report the aggregate capital contributed by the proprietor or partners in account 2890 Other Paid-In Capital.

*Schedule B–2—Notes to Balance Sheet*

(a) This schedule shall be filed by all air carrier groups.

(b) All substantive matters which may influence materially interpretations or conclusions in regard to the financial condition of the air carrier which are not clearly identified in the body of the balance sheet shall be completely and clearly stated in this schedule and cross-referenced to the affected balance sheet account.

(c) The amounts and estimated delivery dates of any purchase commitments of material size and not of a recurrent routine character shall be explained on this schedule. In the case of commitments involving flight equipment, the amount for each equipment type may be given in total, including any engines, airframes and spares; but the number of airframes and the number of engines by type shall be given, as well as the estimated delivery date for each complete aircraft. Reports on commitments other than for flight equipment are required only in the December 31 report of each calendar year.

(d) The pertinent facts relative to firm commitments as at December 31 of each year for the rental of assets during the ensuing year under leases of material amount shall also be set forth on this schedule. There shall be reported separately for airframes, aircraft engines, and other property and equipment, the aggregate amount of rent due for the ensuing year on material rental commitments, the original amount of such commitments, and the unliquidated balance thereof as at December 31 of the current year. Any important obligation assumed or guarantee made in connection with long-term leases shall also be stated. If rentals are conditional the minimum annual aggregate amount shall also be stated.

*Schedule B–3—Paid-in Capital; Self-Insurance Reserves and Appropriations of Retained Earnings; Deferred Income Taxes*

(a) This schedule shall be filed by all air carrier groups.

(b) Each class and series of the air carrier's capital stock, as at the end of each calendar quarter, shall be listed and the indicated information entered within the "Paid-In Capital" section of this schedule.

(c) All transactions and amounts affecting paid-in capital during the current quarter shall be fully explained for each class and series of capital stock to which related. Total paid-in capital and total treasury stock reported on this schedule as at the end of each calendar quarter shall agree with corresponding amounts reported on schedule B–1 Balance Sheet.

(d) Individual proprietors or partners shall reflect the name of the proprietor or each partner at the head of the columns captioned "Class of Stock" and the balance of contributions to the business entity by the proprietor or each partner on line 11 Total Paid-In Capital.

(e) All credits and debits to self-insurance reserves and appropriations of retained earnings, respectively, shall be identified and explained in the "Self-Insurance and Appropriations of Retained Earnings" section of this schedule. The balances of accounts 2350 Reserve for Self-Insurance and 2930 Appropriations of Retained Earnings as at the end of each calendar quarter shall agree with corresponding amounts reported on schedule B–1—Balance Sheet.

(f) Column 1 of the "Deferred Income Tax" section of this schedule shall identify the source of each type of tax deferral; for example, depreciation under § 167 of the Internal Revenue Code, or deferred training costs. The amounts reflected in column 2 shall agree with amounts reflected in column 6 for the same sources at the close of the preceding quarter. The amounts reflected in column 6 shall, in aggregate, agree with amounts reported on schedule B–1 at the close of the current quarter for deferred income taxes. Columns 3, 4, and 5, respectively, shall reflect gross provisions, gross applications and adjustments of deferred income taxes during the current quarter for each tax source reflected in column 1. Adjustments reflected in column 5 shall be fully explained on schedule P–4 and cross-referenced thereto on this schedule.

*Schedule B–4—Reserve for Uncollectible Accounts; Accounts With Associated Companies and Nontransport Divisions*

(a) This schedule shall be filed by all air carrier groups.

(b) Each reserve for uncollectible accounts shall be separately identified in the indicated section of this schedule. Columns 1 and 2 shall reflect the account number and the description of the asset against which each reserve is provided. The balance of each reserve as at the end of each quarter shall agree with corresponding amounts reported on schedule B–1—Balance Sheet.

(c) The name of each associated company and a description of each nontransport division shall be entered in column 1 of the indicated section of this schedule and the related balances shall be reflected in columns 2 through 6. The sum of the balances reported for each account shall agree with the amounts shown for the corresponding accounts on schedule B–1—Balance Sheet.

*Schedule B–5—Property and Equipment*

(a) This schedule shall be filed by all air carrier groups.

(b) A complete report shall be made on this schedule for the overall or system operations conducted by the air carrier.

(c) Column 3, "Additions" shall reflect the book cost of property and equipment acquired and the cost of improvements, betterments or other additions to each class of property and equipment during the current quarter.

(d) Column 4, "Retirements" shall reflect the book cost of each class of property and equipment retired during the current quarter. The amounts in this column shall agree by accounts with the amounts shown in column 7 of schedule B–8—Property and Equipment Retired.

(e) Column 5, "Transfers between Property Accounts" shall reflect the book cost of property and equipment reclassified between property and equipment accounts during the current quarter. Credit transfers from an account shall be indicated by an asterisk (*).

(f) Column 6, "Transfers between Other Accounts" shall reflect the cost of assets reclassified as between property and equipment and other balance sheet accounts during the current quarter and identification of the contra accounts affected by the transfer. Credit transfers shall be indicated by an asterisk (*). The cost of property and equipment and the related balances in reserves for depreciation and airworthiness at the end of each quarter shall

agree with corresponding amounts reported on schedule B–1—Balance Sheet.

*Schedule B–7—Airframes and Aircraft Engines Acquired*

(a) This schedule shall be filed by all air carrier groups.

(b) The indicated data shall be reported for each individual airframe, identified by type, model, and design of cabin as to use for passengers exclusively, cargo exclusively, or both passengers and cargo in combination. Data pertaining to aircraft engines shall be reported in aggregate for each type or model. Airframe units leased from others for a period of more than 90 days shall be reported in a separate subsection of this schedule. In addition, a notation shall be made by license number of airframe units of the air carrier returned after lease to others for a period of more than 90 days. Airframe units obtained through interchange lease arrangements shall not be so reported.

(c) All dates shall indicate the day, the month and the year; shall be provided on a unit basis for airframes only; and, shall be reported for each aircraft engine group by date of transaction.

(d) Report shall be made in the quarter in which each airframe and each group of aircraft engines is actually acquired irrespective of whether the cost thereof is reflected in the property and equipment accounts during the current quarter or a subsequent quarter. If the cost data are not reflected in the current quarter a footnote to that effect shall accompany the report of acquisition. The costs shall be reported during the quarter in which determined and the equipment to which related shall be listed again in this schedule, with complete information, and shall be identified as being the same equipment reported at the earlier date.

(e) Column 2, "Date Placed in Transport Service" shall relate to airframes only and shall be the date on which each airframe was or will be placed in regular service by the reporting entity. If this date is not known at the time of submission of the report an estimated date bearing the notation "estimate" shall be provided with the exact date shown by footnote on a subsequent schedule B–7 in which the airframe is reidentified by license number, type of aircraft and date acquired.

(f) Column 8, "Maximum Continuous Horsepower" shall reflect the maximum continuous horsepower rating of each type of aircraft engine acquired. (See section 03 for definition as applied in this system of accounts and reports.)

(g) Column 9, "Aircraft Engines per Airframe" shall reflect the number of aircraft engines for which each acquired airframe is designed.

(h) Column 10, "Maximum Seat Capacity" shall reflect the number of passenger seats installed in each airframe acquired. When the configuration of airframes provides sleeping accommodations the passenger capacity shall be shown in terms of a sleeper version and a non-sleeper version. When airframes are designed for multiple adjustable seating configurations, the maximum number of seats for which designed shall be reported. When the seating configuration of airframes is modified subsequent to original acquisition, the revised passenger capacity of each airframe shall be reported in the quarter in which modified and referenced to identify original capacity reported.

(i) Column 11, "Cost" shall agree in totals for airframes and aircraft engines, respectively, with the corresponding cost of additions reported in schedule B–5, column 3, "Additions".

(j) Columns 12 and 15, "Reserve for Depreciation" and "Flight Equipment Airworthiness Reserves", respectively, shall include the amount of such reserves applicable to property and equipment transferred from nontransport divisions.

*Schedule B–7(a)—Reinvestment of Flight Equipment Capital Gains*

(a) This schedule shall be filed by each carrier which desires to establish that it is entitled to the benefit of Section 406(d) of the Act and which has filed schedule B–8(a) notifying the Board that it has reinvested the capital gains reported thereon in flight equipment and/or used the capital gains in retirement of debt contracted for the purchase or construction of flight equipment.

(b) Column 1 "Description of Flight Equipment Acquired and Debt Retired" shall identify the specific items of flight equipment acquired, the applicable account number, and the particular issue of debt being retired including a description of the flight equipment for which such debt was contracted, the type of obligation, date of maturity, interest rate, commitment fees, and, if applicable, name of creditor.

(c) Column 2 "Date of Application of Gain" shall include the day, month and year on which the gain was applied to each item of flight equipment or to liquidation of debt.

(d) Column 3 "Cost" shall include the total amount of cash or its equivalent actually paid to acquire each item of equipment or to liquidate debt incurred in the purchase or construction of flight equipment.

(e) Column 5 "Source of Gains" shall identify the gain, reported on schedule B–8(a), which has been reinvested.

*Schedule B–8—Property and Equipment Retired*

(a) This schedule shall be filed by all air carrier groups.

(b) The indicated data shall be reported for the sale or retirement of each airframe, each type of aircraft engine (stating the number of units retired) and, to the extent retired along with airframes and engines, in aggregates by accounts, for operating property and equipment included in accounts 1603 through 1608 and nonoperating property and equipment included in accounts 1703 through 1708. Disposition of properties in accounts 1603 through 1608 and 1703 through 1708 not related to airframe and aircraft engine retirements shall be reported in a separate group for each account. Ground property and equipment disposed of shall be reported in aggregate for all accounts, with subdivisions between operating and nonoperating property and equipment. Airframe units leased from others for a period of more than 90 days shall be reported, upon return to the lessor, in a separate subsection of this schedule. In addition a notation shall be made by license number and name of lessee of airframe units leased to others for a period of more than 90 days. Airframe units leased under interchange arrangements shall not be so reported.

(c) Retirements shall be listed in the numerical sequence of the property and equipment account to which related.

(d) All dates shall include the day, the month and the year of each transaction.

(e) Column 7, "Cost" shall agree in totals for each account with the corresponding cost of property and equipment retired and as reported in schedule B–5, column 4, "Retirements".

(f) Column 10, "Realization" shall reflect the proceeds from disposition, including any insurance proceeds or amounts covered by a self-insurance reserve established in accordance with section 2–13(c).

(g) Column 12, "Gain or Loss" shall, in aggregate for retirements of all property and equipment together with gain or loss on sale of securities, agree with amounts reflected by the air carrier on schedule P–3 in profit and loss subaccounts 81.1 Capital Gains and Losses—Operating Property and 81.2 Capital Gains and Losses—Other.

(h) Column 13, "Disposition", shall reflect the name of the person or organization to which airframes and aircraft engines are sold or a notation as to the nature of the retirement and the account to which any depreciated cost has been charged if not sold. Items included in accounts 1603 through 1608, and 1703 through 1708, sold as a part of airframe or aircraft engine sales transactions, shall also be identified by the name of the buyer. Other sales of items included in these accounts shall be reported in a separate group in aggregate for each property account affected, while all ground property dispositions shall be reported in a single aggregate and need not be identified by names of the buyers.

*Schedule B–8(a)—Flight Equipment Capital Gains Invested or Deposited for Reinvestment in Flight Equipment*

(a) This schedule shall be filed by each carrier which desires to establish that it is entitled to the benefits of Section 406(d) of the Act and which has reinvested or intends to reinvest gains derived from the sale or other disposition of flight equipment pursuant to Part 235 of the Economic Regulations.

(b) Column 1, "Description of Flight Equipment Retired" shall identify the various items of flight equipment retired including the applicable account number.

(c) Column 2, "Date of Sale or Other Disposition" shall include the day, the month and the year on which each item

in which the airframe is reidentified by equipment acquired, the applicable account to which related.

was sold or otherwise disposed of within the meaning of § 235.1(b) of Part 235.

(d) Column 8, "Net Amount of Gain" shall reflect the net of column 5 minus columns 6 and 7; an entry shall be made transferring an amount equal to the amount in column 8 from account 2940 Unappropriated Retained Earnings to account 2930 Appropriations of Retained Earnings. If an initial measurement of gain is subject to adjustment to reflect losses which result upon collection of installment sales or in converting proceeds to cash, the adjustment should be reported at the time the loss is determined. Upon the investment of gains in flight equipment, an equivalent amount may be returned to account 2940 Unappropriated Retained Earnings.

(e) Column 9, "Disposition" shall reflect the name of the person or organization to which the flight equipment is sold or a notation as to the nature of the disposition if not sold.

(f) Columns 10 and 11 shall reflect the date and amount of each gain deposited in a re-equipment fund for reinvestment in flight equipment. Such deposits shall be recorded in account 1550 Special Funds—Other.

(g) Column 12 shall identify the assets in the fund and shall indicate the location of the fund if not in immediate physical possession of the air carrier.

*Schedule B–9—Inventory of Flight Equipment Spare Parts and Assemblies*

(a) This schedule shall be filed by all air carrier groups as at June 30 and December 31 of each calendar year.

(b) The indicated data shall be reported separately for each class of airframe parts, aircraft engine parts and other flight equipment parts, by types of airframes or aircraft engines to which applicable, or as "interchangeable" when applicable to more than one aircraft or engine type and shall be reported separately for expendable parts and rotable parts and assemblies. Expendable parts and rotable parts shall be separately grouped, subtotaled in columns 2 through 8, and identified in column 1 by asset account number.

(c) Column 2, "Inventory at End of Period" shall reflect the book balance for each class of parts and assemblies reflected in column 1 as at the close of the six-month period for which report is being made and shall agree, in aggregate for expendable parts and rotable parts separately, with the respective balances reflected for such asset classifications in the current schedule B–1 Balance Sheet.

(d) Column 3, "Inventory Subject to Loss Provisions," shall reflect for each class of flight equipment expendable parts reflected in column 1 the predetermined level of inventory against which a reserve for loss in value is being accrued.

(e) Column 4, "Balance Beginning of Period," shall reflect the balance of accumulated valuation reserve provisions existing for each classification reflected in column 1 as at the beginning of the six-month period for which report is being made and shall agree with the balances shown in column 7, Balance End of Period, on the next previous report.

(f) Column 5, "Provisions During Period," shall reflect for each classification shown in column 1 the net provisions to valuation reserves against flight equipment parts and assemblies during the six-month period for which report is being made, net of adjustments for inventory declines. The amounts reported in this column for expendable parts shall agree with the amounts reported in account 73 for the same six-month period.

(g) Column 6, "Retirements During Period," shall reflect for each classification shown in column 1 the portion of accumulated valuation reserve provisions for flight equipment parts and assemblies absorbed in abandonment or other retirements of parts and assemblies during the six-month period for which report is being made.

(h) Column 7, "Balance End of Period," shall reflect the balance of accumulated valuation reserve provisions for each classification shown in column 1, existing as at the close of the six-month period for which report is being made and shall agree, in aggregate for expendable and rotable parts, separately, with the respective current balances reflected for such asset classifications in schedule B–1, Balance Sheet.

(i) Column 8, "Cost Less Valuation Reserves," shall reflect the differences between columns 2 and 7.

*Schedule B–10—Developmental and Preoperating Costs*

(a) This schedule shall be filed by all air carrier groups.

(b) Separate copies of this schedule shall be filed for projects directly applicable to each separate operating entity of the air carrier and for the air carrier as a whole covering projects which are applicable in common to all transport operating entities.

(c) Column 1 shall reflect an identification and complete description of each project for which costs are deferred in balance sheet account 1830. The description shall include the CAB Docket number in cases of projects involving a proceeding before the Civil Aeronautics Board.

(d) Explanation of the amounts included in column 3 shall disclose the general characteristics of the amounts deferred during the current quarter for each project, for example, the cost of regulatory proceedings; the cost of pilot, mechanic and ground crew training; special engineering; aircraft development flights; publicity flights; and route familiarization flights.

(e) Column 6, "Unamortized Balance—End of Quarter" shall in total agree, when aggregated for the air carrier as a whole, with the corresponding balance of account 1830 shown in schedule B–1—Balance Sheet.

(f) Column 7, "Development Costs Charged to Account 89" shall reflect costs incurred in projects which do not contribute to or protect air transportation services of the air carrier.

*Schedule B–41—Investments Held by, or for the Account of, Respondent*

(a) This schedule shall be filed by all air carrier groups.

(b) The data in this schedule shall be grouped as between investments held in the name of the air carrier and investments held in the name of others for the account of the air carrier. Each group shall be separately subtotaled by investments in associated companies and by investments in other than associated companies.

(c) Column 1 shall reflect the name of each associated company, and each other issuer of securities held by the air carrier.

(d) Column 4, "Book Cost," in total, for investments held in the name of the air carrier, shall agree with corresponding amounts reflected in schedule B–1 Balance Sheet.

(e) Column 5, "Number of Shares or Debt Principal Amount" shall reflect the number of shares of stock or the principal amount of bonds or notes held by the air carrier, for each class of security reported in column 2.

*Schedule B–42—Accounts 1410 Short-Term Prepayments, 1550 Special Funds—Other, 1820 Long-Term Prepayments, 1880 Other Intangibles, 1890 Other Deferred Charges, 2390 Other Deferred Credits*

(a) This schedule shall be filed by all air carrier groups.

(b) The data in this schedule shall be grouped and subtotaled for each indicated balance sheet account in numerical order and shall identify the nature and amount of each item included in each such balance sheet account as at the close of the current accounting period.

*Schedule B–43—Inventory of Airframes and Aircraft Engines*

(a) This schedule shall be filed by all air carrier groups.

(b) A single set of this schedule shall be filed for the overall corporate or other legal entity comprising the air carrier.

(c) The indicated data shall be reported for each individual airframe, identified by type, model, and design of cabin as to use for passengers exclusively, cargo exclusively, or both passengers and cargo in combination. Data pertaining to aircraft engines may be reported on a group basis by type of engine and type of aircraft to which related.

(d) Data in this schedule shall be grouped and subtotaled as between data pertaining to airframes and data pertaining to aircraft engines.

(e) The data to be reported shall include airframes and aircraft engines owned and in operation, those owned and in conversion, and nonoperating airframes and aircraft engines with subtotals for each of these groups.

(f) Data pertaining to rented airframes and aircraft engines shall be listed in columns 1 through 7, inclusive. Costs of improvements to rented airframes and aircraft engines shall be listed in columns 8 through 10, inclusive.

*Schedule B–44—Transactions With Associated Companies*

(a) This schedule shall be filed by all air carrier groups.

(b) A single set of this schedule shall be filed for the overall corporate or other legal entity comprising the air carrier.

(c) The data in this schedule shall be grouped and subtotaled separately for balance sheet accounts 1250 Notes and Accounts Receivable—Associated Companies, 1510 Investments in Associated Companies, 2050 Notes and Accounts Payable-Associated Companies, and 2240 Advances from Associated Companies.

(d) Column 1 shall reflect, under each affected balance sheet account, the name of each associated company.

(e) Column 2 shall reflect, for each item listed in column 1, the balance as at the close of the next previous calendar year.

(f) Column 3 shall reflect, for each item listed in column 1, the total billings to associated companies in the case of asset accounts, or the total billings from associated companies in the case of liability accounts, during the calendar year. Billings by associated companies shall not be offset against billings to associated companies but shall each be reported separately in gross amounts billed after reflection of debit or credit adjustments to correct or otherwise modify amounts previously billed whether such adjustments originate with the billed or billing company.

(g) Column 4 shall reflect, for each item listed in column 1, adjustments resulting from restatements stemming from changes in foreign exchange rates.

(h) Column 5 shall reflect, for each item listed in column 1, the amount of account settlements effected during the calendar year.

(i) Column 6 shall reflect, for each item listed in column 1, the balance as at the close of the current calendar year.

(j) Column 7 shall reflect, for each item listed in column 1, the amount of contra debits to liability accounts or contra credits to asset accounts during the calendar year which affected other balance sheet accounts.

(k) Column 8 shall reflect, for each item listed in column 1, the amount of contra debits to liability accounts or contra credits to asset accounts during the calendar year which affected profit and loss accounts. The sum of the amounts shown for each associated company account in columns 7 and 8 shall agree with the amount shown for total billings listed in column 3 for each such account.

(l) Amounts to be reported on this schedule shall include all transactions cleared through balance sheet accounts 1250, 1510, 2050, and 2240. Transactions with associated companies for transport services settled through airline clearing houses shall not be reflected in this schedule unless transferred from clearing houses for direct settlement between the air carrier and associated companies. The contra amounts to billings shall be classified in terms of their inherent characteristics as to balance sheet or profit and loss impact and the ultimate disposition to be made of such amounts without regard to any intermediate accounting which may be performed.

*Schedule B–45—Flight Equipment Airworthiness Reserves by Airframe and Aircraft Engine Types*

(a) This schedule shall be filed for all air carrier groups.

(b) A single set of this schedule shall be filed for the overall corporate or other legal entity comprising the air carrier.

(c) The indicated data shall be reported separately for each different airframe type. Data pertaining to aircraft engines shall be reported on a group basis by both type of engine and type of aircraft to which related.

(d) Data reported in this schedule shall be grouped and subtotaled as between data pertaining to airframes and data pertaining to aircraft engines.

(e) The amounts reported in each of columns 2, 3, and 4 shall in aggregate agree with the corresponding amounts reflected in schedule B–1 Balance Sheet as at December 31 of the current year.

*Interim Balance Sheet*

Each air carrier shall file each month two copies of a balance sheet in the form prepared for its management; provided that such balance sheet need not be filed as at the close of calendar quarters where the amount reflected in the "Stockholder Equity" section thereof agrees with similar data reflected on Schedule B–1 of CAB Form 41 as at the same date.

## Section 24—Profit and Loss Elements

*Schedule P–1.1—Income Statement—Group I Air Carriers*

*Schedule P–1.2—Income Statement—Group II and Group III Air Carriers*

(a) Schedule P–1.1 shall be filed by each Group I air carrier and schedule P–1.2 shall be filed by each Group II air carrier and each Group III air carrier.

(b) Separate income statements shall be filed, covering all indicated items through "Net Income After Special Items" for each separate operating entity of the air carrier and for the overall, or system, operations of the air carrier. The indicated items following "Net Income After Special Items" shall be reported on only the income statement filed for the air carrier's system.

(c) Data reported on this schedule shall conform with the instructions pertaining to profit and loss classifications within this Uniform System of Accounts and Reports.

(d) Data reported in the "12-Months-to-Date" column shall represent for each individual item the sum of amounts reported in the "Quarter" column for the current and next previous three quarters.

(e) "Unappropriated Retained Earnings—Beginning of Period" shall be the sum of the balances of "Unappropriated Retained Earnings" and "Net Income—Year to Date" reported on the balance sheet as at the close of the corresponding quarter of the previous year, in the case of the "12-Months-to-Date" column, and as at the close of the previous quarter, in the case of the "Quarter" column.

(f) "Unappropriated Retained Earnings—End of Period" shall be, in the cases of both the "12-Months to Date" and "Quarter" columns, the sum of the balances of "Unappropriated Retained Earnings" and "Net Income—Year to Date" reported on the balance sheet as at the close of the current quarter.

*Schedule P–2—Notes to Income Statement*

(a) This schedule shall be filed by all air carrier groups.

(b) Separate sets of this schedule shall be filed for each separate operating entity and for the overall or system operations of the air carrier.

(c) All substantive matters which may influence materially interpretations or conclusions in regard to the earnings position of the air carrier which are not clearly identified in the body of the income statement shall be completely and clearly stated in this schedule and cross-referenced to the affected profit and loss account.

(d) Each air carrier shall include on this schedule a description of each interruption in air transport operations, the aggregate effect of which is ten (10) percent or more of the scheduled revenue plane-miles which, except for the interruption, would have been operated during the month or either of two consecutive months affected. The information to be reported for each such interruption in operations shall consist of: (1) for the report period in which partial or complete interruption first occurs, the nature of the interruption and dates of partial and/or complete cessation of operations, as applicable; (2) for each report period until full resumption of operations, an estimate of the revenue plane-miles canceled in each month of the quarter because of the interruption; and (3) for the report period in which scheduled operations are resumed, dates of partial and/or complete resumption, as applicable.

*Schedule P–3—Transport Revenues; Depreciation and Amortization; Nonoperating Income and Expense—Net; Income Taxes*

(a) This schedule shall be filed by all air carrier groups.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Transport revenues shall reflect the aggregate revenues from each indicated class of traffic carried in both scheduled and nonscheduled services. The sum of the subdivisions of each objective account shall agree with the corresponding amounts reported in schedule P–1—Income Statement. In the event the air carrier performs irregular transport services, in addition to charter and special services and scheduled services, separate sets of this schedule shall be filed for the reporting of schedule transport services and for nonscheduled transport services, respectively, and the service to which each report applies shall be entered in the box at the head of each of the two amount columns following "Period Ended".

(d) Depreciation and Amortization, Nonoperating Income and Expense—Net, and Income Taxes, respectively, shall reflect the indicated detail applicable to the corresponding amounts reported in schedule P–1—Income Statement.

*Schedule P–4—Incidental Revenues—Net; Explanation of Special Items; Explanation of Deferred Federal Income Tax Adjustments, Dividends Declared and Retained Earnings Adjustments*

(a) This schedule shall be filed by all air carrier groups.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Incidental revenues—net shall be reported in this schedule in conformance with the instructions pertaining to each item in section 9–4600 Incidental Revenues—Net.

(d) Receipts from and payments to other air carriers under agreements providing for mutual financial assistance in the case of work stoppage shall be identified in separate amounts for the individual air carriers involved, through appropriate footnote on schedule P–2 and shall be cross-referenced to account 18 Other Incidental Revenues reflected in this schedule. The note covering payments under such agreements shall identify the items and the amounts of the gross revenues and gross expenses upon which the payments to each air carrier are predicated.

(e) The aggregate of all net incidental revenues reported in this schedule shall agree with the corresponding net amount reported for classification 4600 Incidental Revenues—Net, in schedule P–1.

(f) Each special income item shall be fully identified and reported in gross amount in this schedule.

(g) Special credits to income during the current accounting period shall be identified in positive amounts and any special debits to income shall be identified by asterisks (*).

(h) Special income and special income tax credit and debit items shall be reported separately.

(i) The net of special income items and the net of special income tax items reported in this schedule shall agree with corresponding amounts reported in schedule P–1.

(j) Deferred federal income tax adjustments shall be fully explained in the bottom section of this schedule. The explanations for each credit and debit, respectively, shall identify the property to which related, provide a complete description of the adjustment and the reasons for the adjustment.

(k) Dividends declared and retained earnings adjustments shall be fully explained in the bottom section of this schedule. If a dividend is not payable in cash, the values of amounts declared shall be completely described.

*Schedules P–5.1 and P–5.2—Aircraft Operating Expenses*

(a) Schedule P–5.1 shall be filed by each Group I air carrier and P–5.2 by each Group II and Group III air carrier.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Two sets of this schedule shall be filed each quarter for each operating entity. One set shall reflect the indicated data applicable to the current quarter. The second set shall reflect the indicated data applicable to the 12-month period ended with the current quarter. An "x" shall be inserted in the box designated "Qr" at the head of each column of the set covering quarterly data and an "x" shall be inserted in the box designated "Yr" at the head of each column of the set covering 12-months to date data.

(d) Data applicable to each aircraft type operated by the air carrier shall be reported in separate columns of this schedule and each aircraft type for which report is being made shall be identified at the head of each column in the space provided opposite "Aircraft Type". However, each air carrier may group on a uniform basis, data applicable to small single-engine aircraft types of approximately equivalent size, flight principles and characteristics. For this purpose two groups, with subdivision as between fixed wing and rotary wing aircraft types, and between reciprocal engine, turbojet and turboprop aircraft types are established as follows: (1) single-engine aircraft with maximum continuous horsepower of 300 or under; (2) single-engine aircraft with maximum continuous horsepower of 301 to 450, inclusive. All other aircraft types, including larger single-engine and small twin-engine types, are to be separately reported. Expenses applicable to the operation on the accounting carrier's routes of aircraft provided by others under aircraft interchange agreements shall be separately reported, in aggregate for all such aircraft, as if for a distinct aircraft type. Those expenses applicable to aircraft of the same type as those owned or operated by the accounting air carrier shall be distributed in summary memo form as item 98.1 and 98.2 to each aircraft type owned or operated by the accounting air carrier. Aircraft types not generally used in revenue services shall be separately reported. If more than one type of aircraft is involved a separation of data relating to each type of aircraft shall not be required.

(e) "Aircraft type" refers to models such as B–707–100, B–707–300, CV–240, DC–6, as designated by the manufacturer, with no distinction being required with respect to the type of service, such as passenger or cargo, for which the aircraft is primarily equipped. The prescribed reporting by aircraft types may be reviewed from time to time upon request by individual air carriers, or upon the initiative of the Board, and groupings of aircraft types for reporting purposes may be prescribed or amended in specific instances.

(f) Italicized codes and item titles do not constitute accounts or account numbers prescribed for air carrier accounting but shall be used for reporting purposes only.

(g) Item 79.6 Applied Maintenance Burden shall reflect a memorandum allocation by each air carrier of the total expenses included in subfunction 5300 Maintenance Burden between maintenance of flight equipment, by aircraft types, and maintenance of ground property and equipment (exclusive of maintenance equipment and maintenance buildings) in accordance with item (f) of the instructions for schedule P–6. The amount reported for this item, in aggregate for all aircraft types, shall agree with the amount reported for the same item reflected on schedule P–6.

(h) Item 73.1 Current Provisions (for obsolescence and deterioration of flight equipment expendable parts) shall reflect the gross provisions for losses in value of expendable parts during the current accounting period.

(i) Item 73.2 Inventory Decline Credits shall reflect credits applicable to the current period for any adjustments for excess inventory levels determined pursuant to section 6–1311.

(j) The total of function 5100 Flying Operations reported on this schedule shall agree with corresponding amounts reported on schedule P–1; the total of item 5278 Total Direct Maintenance—Flight Equipment shall agree with the corresponding amount reported in schedule P–6; and the total of item 75.6 Total Depreciation—Flight Equipment shall agree with the corresponding amount in schedule P–3.

*Schedule P–6—Maintenance, Passenger Service, and General Services and Administration Expense Functions*

(a) This schedule shall be filed by all air carrier groups.

(b) A separate set of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Two sets of this schedule shall be filed for each operating entity with the Form 41 report filed for the fourth calendar quarter of each calendar year. One set shall be filed for each operating entity for the first three quarters of each calendar year. One of the two sets filed for the fourth quarter of each year shall reflect the indicated data applicable to the twelve months ended December 31. All other sets shall reflect the indicated data applicable to the current quarter. An "x" shall be inserted in the box designated "Qr" at the head of each column of each report covering quarterly data and an "x" shall be inserted in the box designated "Yr" at the head of each column of each report covering 12-month data.

(d) Group I air carriers shall report the indicated data for all except function 5500 Passenger Service.

(e) Group II and Group III air carriers shall report the indicated data for all except function 6900 General Services and Administration.

(f) Items 79.6 Applied Maintenance Burden—Flight Equipment and 79.8 Applied Maintenance Burden—General Ground Property, respectively, shall reflect a memorandum allocation by each air carrier of the total expenses included in subfunction 5300 Maintenance Burden between maintenance of flight equipment (by aircraft types) and maintenance of ground property and equipment (exclusive of maintenance equipment and maintenance buildings for

which costs are included in subfunction 5300). Where airframe and aircraft engine overhauls are accounted for on the accrual basis to produce a matching of costs with the operation of aircraft, the allocation of maintenance burden shall give effect to charges and credits to profit and loss account 5272 Flight Equipment Airworthiness Provisions in order to effect an equitable allocation of such maintenance burden costs. Each air carrier shall file with the Civil Aeronautics Board a statement as a supplement to this schedule in which the procedures to be followed in allocating maintenance burden are fully explained. Revisions in such allocation procedures shall not be effected for 30 days following written notice to the Civil Aeronautics Board. (See section 22(d).) At the option of the air carrier standard burden rates may be employed for quarterly allocations of maintenance burden provided the rates are reviewed at least once each accounting year and the amounts allocated are adjusted to reflect the actual costs incurred for the full accounting year. Any differences between actual burden costs incurred during each quarter and amounts applied at standard rates shall be entered as item 79.9 Over or Under Applied Burden.

(g) The sum of the totals of subfunctions 5200 Direct Maintenance and 5300 Maintenance Burden shall agree with the corresponding amount reported in function 5400 on schedule P–1. The total of function 6900 General Services and Administration reported in this schedule by Group I air carriers shall agree with the corresponding amount reported on schedule P–1.

*Schedule P–7—Aircraft and Traffic Servicing, Promotion and Sales, and General and Administrative Expense Functions*

(a) This schedule shall be filed by each Group II air carrier and each Group III air carrier.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Two sets of this schedule shall be filed for each operating entity with the Form 41 report filed for the fourth calendar quarter of each calendar year. One set shall be filed for each operating entity for the first three quarters of each calendar year. One of the two sets filed for the fourth quarter of each year shall reflect the indicated data applicable to the twelve months ended December 31. All other sets shall reflect the indicated data applicable to the current quarter. An "x" shall be inserted in the box designated "Qr" at the head of each column of each report covering quarterly data and an "x" shall be inserted in the box designated "Yr" at the head of each column of each report covering 12-month data.

(d) Group II air carriers shall report the indicated data for all except subfunction 6100 Aircraft Servicing.

(e) Group III air carriers shall report the indicated data for subfunction 6100 Aircraft Servicing and function 6800 General and Administrative and shall disregard the data indicated for functions 6400 Aircraft and Traffic Servicing and 6700 Promotion and Sales.

(f) The item "12-months to date" shall reflect the total expenses of each functional expense classification reported on this schedule for the cumulative 12-month period ended with each current quarter for which report is made.

(g) The total of each functional expense classification reported in this schedule shall agree with the corresponding amount reported in schedule P–1.

*Schedule P–8—Aircraft and Traffic Servicing, and Promotion and Sales Expense Subfunctions*

(a) This schedule shall be filed by each Group III air carrier only.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Two sets of this schedule shall be filed for each operating entity with the Form 41 report filed for the fourth calendar quarter of each calendar year. One set shall be filed for each operating entity for the first three quarters of each calendar year. One of the two sets filed for the fourth quarter of each year shall reflect the indicated data applicable to the twelve months ended December 31. All other sets shall reflect the indicated data applicable to the current quarter. An "x" shall be inserted in the box designated "Qr" at the head of each column of each report covering quarterly data and an "x" shall be inserted in the box designated "Yr" at the head of each column of each report covering 12-month data.

(d) The item "12-months to date" shall reflect the total expenses of each functional expense classification reported on this schedule for the cumulative 12-month period ended with each current quarter for which report is made.

(e) The sum of the totals reported in this schedule for subfunctions 6200 Traffic Servicing and 6300 Servicing Administration, together with 6100 Aircraft Servicing in schedule P–7 shall agree with the corresponding amount reported for function 6400 Aircraft and Traffic Servicing in schedule P–1. The sum of the totals reported in subfunctions 6500 Reservations and Sales and 6600 Advertising and Publicity shall agree with the corresponding amount reported for function 6700 Promotion and Sales in schedule P–1.

*Schedule P–9.1—Distribution of Ground Servicing Expenses by Geographic Location—Group I Air Carriers*

*Schedule P–9.2—Distribution of Ground Servicing Expenses by Geographic Location—Group II and Group III Air Carriers*

(a) Schedule P–9.1 shall be filed by each Group I air carrier and schedule P–9.2 by each Group II and each Group III air carrier.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) This schedule shall reflect a distribution of expenses by the geographic locations at which the goods or services to which related are applied. This schedule shall embrace for all air carrier groups direct maintenance and depreciation expenses applicable to general ground properties recorded in subfunction 5200 Direct Maintenance, exclusive of account 78 Direct Maintenance—Flight Equipment, plus subaccount 75.9 Depreciation—General Ground Property and, in the case of Group I air carriers, expenses recorded in function 6900 General Services and Administration and, in the cases of Group II and Group III air carriers, expenses recorded in functions or subfunctions of 6400 Aircraft and Traffic Servicing and 6700 Promotion and Sales.

(d) Line 1 shall reflect the aggregate expenses incurred at all airports, or other geographic locations, served in nonscheduled services only and related traffic offices. Downtown traffic offices maintained at off-line points for the purpose of selling or soliciting traffic for scheduled services shall be considered as on-line installations.

(e) Column 1, "Location" shall reflect in alphabetic sequence the name of each certificated point served by the air carrier under certificates of public convenience and necessity, subdivided to reflect in alphabetic order the name of each airport through which each certificated point is served and, in a separate group, the name of each city at which off-line traffic offices, maintained for the purpose of selling or soliciting traffic for scheduled services, are located.

(f) Column 2, "Number of Employees" shall reflect the number of persons employed at each on-line airport and all city traffic offices maintained at each point during the payroll period nearest the 15th of the last month of the quarter.

(g) Expenses applicable to each airport shall be entered in the indicated classification directly opposite its name; other expenses applicable to each certificated point shall be entered in the indicated classifications opposite the name of each certificated point; and expenses applicable to each noncertificated point where installations are maintained or used for certificated services shall be entered in the indicated classifications opposite its name.

(h) Expenses classified as "Local" shall include all expenses which are directly chargeable to activities performed at each specific locality.

(i) Expenses classified as "Regional and System" shall include all expenses incurred at each specific locality which are directly chargeable to administering activities performed at a number of different localities. For this purpose expenses attaching to such as central space control installations and centralized inter-airport flight control installations shall be considered "Regional and System" expenses.

*Schedule P–10—Payroll*

(a) This schedule shall be filed by all air carrier groups.

(b) Separate sets of this schedule shall be filed for personnel employed within the Continental limits of the United States and for personnel employed, by each separate operating en-

tity of the air carrier, who are employed outside the Continental limits of the United States. Flight personnel and other personnel subject to travel shall be reported in accordance with the location at which normally based.

(c) Column 3, "Number of Employees" shall reflect, for each classification in column 1 the number of full and part-time employees, both permanent and temporary, who worked or received pay for any part of the pay period(s) ending nearest the 15th day of the last month of the quarter whether paid weekly, monthly or otherwise.

(d) Column 4, "Total All Employees" shall reflect expansions to annual rates of the amounts of compensation paid each person included in column 3 for the payroll period ended nearest the 15th day of the last month of the quarter. Compensation shall include total pay, including overtime, paid sick leave, holidays and vacations but shall exclude bonuses (unless earned and paid regularly each pay period) and cash payments for vacations not taken.

(e) Column 5, "Average per Employee" shall reflect the averages obtained by dividing the amount of compensation shown in column 4 by the number of employees reported in column 3.

(f) Data with respect to each employee shall be included in the classification to which most of his salary is charged, even though the compensation of such employee is normally prorated to two or more classifications.

(g) The term "payroll period" denotes the collective payroll periods of various groups of employees, irrespective of the difference in the length of the pay periods. The amounts reported in this schedule may, therefore, represent a composite of data relating to two or more separate payrolls covering different periods of time, although the data with respect to any one group of employees shall not reflect more than one payroll period.

*Schedule P–41—Taxes*

(a) This schedule shall be filed by all air carrier groups.

(b) A single set of this schedule shall be filed for the overall corporate or other legal entity comprising the air carrier.

(c) This schedule shall reflect in the detail indicated the taxes levied against the air carrier paid or accrued during the accounting year.

(d) The "Grand Total" of taxes reported on this schedule shall agree with the sum of the amounts reported in accounts 68, 69, 91, 92, and 95 for the twelve months ended December 31.

*Interim Income Statement*

(a) Each air carrier shall file each month two copies of income statements in the form prepared for its management.

(b) The statements submitted should provide a separation of revenues and expenses between separate operating entities of the air carrier.

**Section 25—Traffic and Capacity Elements**

*General instructions.* (a) The prescribed reporting for traffic and capacity elements is designed to reflect, on a uniform basis, the physical factors related to air transport operations as actually conducted. Schedules T–1 through T–7, reflecting traffic carried, capacity operated and other operating statistics, correlate similar information for the various services regardless of the schedule on which reported. The four-letter codes used on schedules T–1, T–2 and T–3 are systematically assigned for each item of information to facilitate use of the data irrespective of the schedule in which they appear. Thus, the first digit of the four-letter code denotes basic class of service; for example, 1xxx indicates Scheduled First-class Services, 2xxx Scheduled Coach Services, 8xxx Nonscheduled Services and 9xxx All Services. The second digit denotes the basic operating element involved; for example, x0xx indicates passenger count, x1xx passenger-miles and x9xx unclassified. The last two digits denote the particular detailed operating element involved; for example, xx11 indicates first-class passengers/passenger seats, xx18 nonrevenue passengers, and xx31 through xx53 nonpassenger revenue traffic classes.

(b) When the same item is required to be reported on a monthly, quarterly and/or 12-month basis, the 12-month total shall agree with the sum of the quarterly or monthly data reported for the 12-month period, and the quarterly total shall agree with the sum of the monthly data reported in the quarter, whether the data are reported on the same or different schedules.

(c) All statistics to be reported on these schedules shall be compiled in accordance with the definitions set forth in section 03 Definitions for Purposes of this System of Accounts and Reports. In principle, elements which are common to different statistics, shall be measured on a consistent basis for all statistics of which they are a component. Thus, all passenger-mile, seat-mile, ton-mile, and aircraft mile statistics applicable to a particular service or operation shall be compiled on a direct airport-to-airport mileage basis in terms of a consistent measurement of aircraft movement by flight stages. Similarly, all scheduled mileages and all scheduled departures shall be compiled as each flight is scheduled to be performed pursuant to the air carrier's published flight schedules, while scheduled miles performed and scheduled departures performed shall both be compiled in accordance with the pattern through which each point scheduled for service is actually served. Consistent with this principle, all statistics pertaining to actual operations shall be compiled in terms of each flight stage as actually performed.

(d) As a general rule, the traffic and capacity measurements to be reported on these schedules are designed to represent the physical operations reflected by the revenues and expenses, respectively, for the same period. Thus, except as separately provided for, aircraft capacity elements associated with deferred costs are not to be included in reported statistics whereas the revenue traffic elements associated with flights for which costs but not revenues are deferred shall be reported as if carried on other flights and the amounts so included shall be disclosed by footnote to the applicable item. For purposes of reporting by aircraft types on schedules T–3 and T–4 small single-engine aircraft types may be grouped in accordance with the instructions in section 24, schedules P–5.1 and P–5.2, paragraph (d).

*Schedule T–1—Monthly Statement of Summarized Traffic and Capacity Statistics*

*Schedule T–2—Monthly Statement of Scheduled Services Traffic and Capacity Statistics*

(a) These schedules shall be filed by all air carrier groups.

(b) Separate sets of these schedules shall be filed for each separate operating entity of the air carrier.

(c) Two sets of these schedules shall be filed each month for each operating entity. One set for each schedule shall reflect the indicated data applicable to the current month. The other set for each schedule shall reflect the indicated data applicable to the twelve months ended with the current month. An "x" shall be inserted in the box designated "Mo" at the head of each column of the report covering monthly data. An "x" shall be inserted in the box designated "Yr" at the head of each column of the report covering 12-month data.

(d) The indicated data shall be reported on these schedules for each class of service performed by the air carrier with both owned and rented aircraft including aircraft of others used on the air carrier's routes under interchange agreements. These schedules, except to the extent otherwise specifically provided for, shall not include traffic or capacity statistics related to flight facilities used by other air carriers, the revenue from which is includible in profit and loss accounts 11 Rents, 13 Interchange Sales—Associated Companies, 15 Interchange Sales—Outside, or 18 Other Incidental Revenues. Traffic and capacity statistics shall not be included in these schedules for interrupted traffic of the air carrier where the responsibility for the forwarded traffic becomes that of other carriers, thus conforming to the provision that the direct cost of forwarding traffic by others, as a result of interrupted trips, shall be charged to the appropriate revenue account.

(e) All mileage data shall be based upon direct airport-to-airport distances as distinguished from course-flown distances. Miles performed and traffic carried on flights scheduled to begin in one month and terminate in the next shall be included in the month in which the flight is scheduled to depart, provided that such flights in territorial and international operations shall not be considered to extend beyond the first crew change point.

(f) All utilization and performance factors and average load data shall be computed one place beyond the decimal point.

(g) Item 016, "Number of Revenue Passenger Originations" shall reflect an unduplicated count of passengers originating journeys on the lines of each reporting entity. (See section 03—Passenger originations.)

(h) Item 017, "Number of Revenue Passenger Enplanements" shall reflect a count of the total number of passengers boarding aircraft. This count may be measured on the basis of a standard number of passenger enplanements per on-line originating passenger.

(i) Item 217 "Passenger" ton-miles shall be computed at the standard passenger weights (including free baggage) set forth in section 03 in the definition for "weight, passenger". The prescribed passenger weights may be reviewed from time to time upon request of individual air carriers, or upon the Board's initiative, and other weights may be prescribed in specific instances.

(j) Item 253, "Excess Baggage" ton-miles may be determined either by direct computation from flight records or, following approval by the Civil Aeronautics Board, by application of appropriate standards.

(k) Item 997, "Number of Employees based in Continental United States" shall reflect the total number of full and part-time employees, both permanent and temporary, who worked or received pay for any part of the pay period(s) ending nearest the 15th day of the month, whether paid daily, weekly, monthly or otherwise, and who were based in Continental United States. Persons based in the United States but employed on transoceanic flights should be included. Include salaried officers of the corporation and employees on paid sick leave, holidays and vacations but do not include pensioners, members of the armed forces, or persons on leave of absence without pay.

(l) Item 998, "Number of Employees Based Outside Continental United States" shall reflect the total number of employees who were assigned to locations outside Continental United States.

(m) Item 999, "Total Number of Employees" shall reflect the sum of items 997 and 998.

(n) The filing of Schedule T–2 is waived for those reporting entities operating a single class of scheduled service, provided the class of service operated is identified in the heading of the "All Scheduled Service" column of schedule T–1.

*Schedule T–1(a)—Monthly Statement of Traffic and Capacity Statistics by Component Operations*

(a) This schedule is applicable to all air carrier groups.

(b) Separate sets of this schedule shall be filed for each reporting entity of the air carrier (see section 21(i)) which covers, in scheduled or nonscheduled services, more than one of the categories of "domestic", "territorial" or "international" operations, as defined in section 03. Carriers not filing schedule T–1(a) shall add the word "exclusive" to the description of the operation in the heading of each column on schedule T–1.

(c) Two sets of these schedules shall be filed each month for each operating entity. One set of each schedule shall reflect the indicated data applicable to the current month. The other set of each schedule shall reflect the indicated data applicable to the twelve months ended with the current month. An "x" shall be inserted in the box designated "Mo" at the head of each column of the report covering monthly data. An "x" shall be inserted in the box designated "Yr" at the head of each column of the report covering 12-month data.

(d) The indicated data shall be reported for all operations of the reporting entity in the column designated "Total" and for the "domestic", "territorial", and "international" operations, as defined in section 03, encompassed by such entity in the separate columns provided therefor. For purposes of reporting on this schedule, domestic flight stages operated between points where authorized service is restricted to international or territorial traffic and which are an integral part of such international or territorial operation, shall be combined therewith. The reporting entity as set forth in section 21(i), shall be identified in each column opposite the heading "Operation". Each item on this schedule shall be reported on the same basis as the corresponding item reported on schedule T–1. The amounts, except for "Number of revenue passenger originations", reported for each item in the "Total" column under "Scheduled Services" and "Nonrevenue Flights", respectively, shall agree with the corresponding amounts reported in the "All Scheduled Services" and "All Services" columns, respectively, of schedule T–1. The amounts reported for each item in the "Total" column under "Nonscheduled Services" shall agree with the sum of the corresponding amounts reported in the "Irregular Services Excluding Charter" and "Charter Service" columns of schedule T–1.

(e) The digit after the decimal in the code assigned each item on this schedule is for CAB control purposes. "Domestic" operations are, for all items, denoted by the decimal digit "1", "Territorial" operations by the decimal digit "2" and "International" operations by the decimal digit "3". The balance of each code number corresponds to the codes assigned to corresponding items reported on schedules T–1 and T–3, except for the prefix "8" in the code assigned nonscheduled services which represents an aggregation of "Irregular Services Excluding Charter" and "Charter Services" reported on schedule T–1.

*Schedule T–3—Quarterly Statement of Aircraft Operating Statistics*

(a) This schedule shall be filed by all air carrier groups.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Two sets of this schedule shall be filed each quarter for each operating entity. One set shall reflect the indicated data applicable to the current quarter. The other set shall reflect the indicated data applicable to the twelve months ended with the current quarter. An "x" shall be inserted in the box designated "Qr" at the head of each column of each report covering quarterly data and an "x" shall be inserted in the box designated "Yr" at the head of each column of each report covering 12-month data.

(d) Data applicable to each aircraft type operated by the air carrier shall be reported in separate columns of this schedule and each aircraft type for which report is being made shall be identified at the head of each column in the space provided opposite "Aircraft Type": *Provided, however,* Each air carrier may group, on a uniform basis, data applicable to small single-engine aircraft of approximately equivalent size. Refer to section 24 schedules P–5.1 and P–5.2, paragraph (d), for policy regarding the grouping of small aircraft types. All other aircraft types, including larger single-engine and small twin-engine types are to be separately reported. Aircraft not generally used in revenue service shall be reported in a group as a single type. For purposes of reporting on this schedule, versions of each aircraft type designed exclusively for cargo services, and only incidentally for passenger service, shall be considered as distinct aircraft types.

(e) All mileage data shall be based upon direct airport-to-airport distances as distinguished from course-flown distances in accordance with the instructions relating thereto on schedules T–1

passenger weights may be reviewed from to the description of the operation in mal digit "3". The balance of each code tions relating thereto on schedules T–1

and T–2. Mileage related to flights which are not measurable in terms of airport-to-airport distances shall be determined by applying a typical airport-to-airport speed for each aircraft type to the aircraft hours flown by each aircraft type in such flights.

(f) All aircraft hours data shall be based upon the time each aircraft becomes airborne on take-off to the time of ground contact upon landing and shall be included in the month in which the aircraft miles to which related are reported. Aircraft hours flown, items 9668 through 9679, shall include hours flown for which related costs have been charged directly against income during the current accounting period and shall not include hours flown applicable to costs which have been deferred. Such hours shall be reported in item 9978, "Aircraft Hours in Capitalized Projects". Refer to paragraph (d) of the General Instructions for reporting Traffic and Capacity Elements for policy regarding flights for which costs are capitalized. Minutes or fractional hours shall not be shown in reporting aircraft hours.

(g) Each air carrier shall submit to the Civil Aeronautics Board a detailed statement of its method of computing available ton-miles and available seat-miles for each type of aircraft operated. Also, any future changes in methods of computation shall be submitted, subject to review and approval by the Civil Aeronautics Board. (See section 22(d).) The measurement of available aircraft capacity may reflect company minimum fuel requirements in lieu of the requirements under Civil Air Regulations, provided that the use of such company fuel requirements is indicated in the above statement and that the statement contain certification by a responsible company official that said fuel loads are not in excess of company safety requirements. The reason for exclusion of any installed seats in the computation of available seat-miles with respect to any aircraft type and the provisions made for protecting against the sale of such seats, shall be described in this statement and shall be certified to by a responsible company official. (See section 03 "seats available".)

(h) Item 9680, "Aircraft Days Assigned to Service—Carrier's Equipment" shall reflect owned and rented aircraft in the possession of the air carrier used or available for assignment to services performed by the air carrier or assigned to services on routes of other air carriers under aircraft interchange agreements. (See section 03 for further definition.) It shall not include aircraft which are otherwise rented, leased or loaned to others, for which aircraft days shall be reported by equipment type as a footnote to this schedule, or aircraft of others used by the air carrier under interchange agreements. Aircraft days shall be allocated between separate operating entities as follows:

(1) Aircraft assigned exclusively to a particular operation shall be reported for the operation to which assigned.

(2) Aircraft used interchangeably in two or more separate operating entities shall be prorated between such operations in accordance with the time each aircraft was in an operating status in each operation.

(3) The time of aircraft in maintenance or overhaul or held in reserve shall be assigned between the operating entities affected on the basis of the relative time aircraft of the same type were in an operating status in each operation during the most recent month.

(i) Item 9681, "Aircraft Days Assigned to Service—Carrier's Routes" shall reflect owned and rented aircraft in the possession of the air carrier or available for assignment to services performed by the air carrier. It shall include the time aircraft of others are in the possession of the air carrier pursuant to aircraft interchange agreements and shall exclude the time aircraft of the air carrier are in the possession of others pursuant to aircraft interchange agreements. Otherwise, allocation of aircraft days under this item shall conform with the instructions related to item 9680. (See section 03 for further definition.)

(j) Item 9682, "Revenue Hours per Aircraft per Day—Carrier's Equipment" shall be determined by dividing item 9680, "Aircraft Days Assigned to Service—Carrier's Equipment" into the total revenue aircraft hours flown by aircraft owned or rented and in the possession of the air carrier, determined by subtracting item 9867, "Revenue Hours on Other Carrier's Interchange Equipment," from and adding item 9968, "Total Hours by Others on Carrier's Interchange Equipment," to item 9668, "Revenue Aircraft Hours."

(k) Item 9683, "Revenue Hours per Aircraft per Day—Carrier's Routes" shall be determined by dividing item 9681, "Aircraft Days Assigned to Service—Carrier's Routes" into item 9668, "Revenue Aircraft Hours".

(l) Item 9767, "Revenue Aircraft Miles in Scheduled Services Excluding Extra Sections" shall reflect the total of revenue aircraft miles in scheduled services, item 5568, less the revenue aircraft miles flown in extra sections included therein.

(m) Item 9867, "Revenue Hours on Other Carrier's Interchange Equipment" shall reflect the hours flown in revenue service of the reporting air carrier under equipment interchange agreements with aircraft of others.

(n) Item 9879, "Total Hours on Other Carrier's Interchange Equipment" shall reflect the hours flown in both revenue and nonrevenue services of the reporting air carrier under equipment interchange agreements with aircraft of others.

(o) Item 9968, "Total Hours by Others on Carrier's Interchange Equipment" shall reflect the total hours flown in the operations of other air carriers under equipment interchange agreements with aircraft owned or rented by the reporting air carrier.

(p) Item 9978, "Aircraft Hours in Capitalized Projects" shall reflect the total aircraft hours flown during the current accounting period which are applicable to ferrying newly acquired aircraft from the factory, capitalized extension and development or preoperating costs and other costs incurred during the current accounting period which have been capitalized.

(q) Items 9991 and 9992, "Aircraft Fuels (Oils) Issued" shall reflect the gallons of fuels or engine oils issued or placed aboard aircraft during the current accounting period for both revenue and nonrevenue flights. Fractional gallons shall not be shown.

(r) Item 9993, "Percent of Block-to-Block to Airborne Hours" shall be determined by dividing the revenue aircraft hours flown computed on the block-to-block basis by revenue aircraft hours flown computed on the airborne basis. At the option of the air carrier a standard percentage relationship, fairly representative of the actual relationship, may be employed for reporting provided such standard is redetermined by physical measurement at least twice each calendar year.

*Schedule T–4—On-Line Airport Activity Data*

(a) This schedule shall be filed by all air carrier groups.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) This schedule shall reflect the indicated measures of activity at each on-line airport maintained at points certificated by the Civil Aeronautics Board for scheduled services.

(d) Each point maintained for service under certificates of public convenience and necessity shall be listed in column 1 in alphabetical sequence and the indicated data reported in columns 2 through 17, inclusive. Each airport used in serving each certificated point and the data pertaining thereto shall be separately identified.

(e) Column 2, "Scheduled Departures" shall reflect the total number of departures scheduled during the current quarter at each airport as set forth in the air carrier's published schedules including those scheduled on a flag-stop basis.

(f) Column 3, "Scheduled Departures Performed" shall reflect the total number of departures actually performed pursuant to published schedules during the current quarter at each airport. Departures performed shall not include departures of flights operated as extra sections to scheduled flights, other departures performed but not included in scheduled departures reported in column 2, or flag-stop departures not actually made.

(g) Column 4, "Total Departures Performed in Revenue Services—Nonscheduled Services" shall reflect the total number of departures in nonscheduled services actually performed for each on-line airport.

(h) Columns 5 through 10, "Total Departures Performed in Revenue Services—Scheduled Services" shall reflect the total number of departures in scheduled services (including extra sections) actually performed from each on-line airport. The aggregate number of departures by all aircraft types shall be reported in column 5 and the number of departures by each aircraft type shall be reported in columns 6 through 10, in-

clusive, with the type of aircraft to which related indicated at the head of each column. Departures in nonpassenger services shall be reported as if for a distinct aircraft type.

(i) Column 11 "Passenger Enplanements—All Services—Total Enplanements" shall reflect for each on-line airport the total of all revenue passengers enplaned, including originating, stopover, and transfer passengers, in scheduled and nonscheduled services.

(j) Column 12 "Passenger Enplanements—Scheduled Service—Total Enplanements" shall reflect for each on-line airport the total of all revenue passengers enplaned in scheduled service, including originating, stopover, and transfer passengers.

(k) Column 13 "Passenger Enplanements—Scheduled Service—Originations" shall reflect for each on-line airport the number of revenue passengers commencing an on-line journey in scheduled service. (See section 03 for further definition.)

(l) Columns 14 through 18 "Mail Express and Freight Originations (Tons)—Scheduled Service" shall reflect for each airport the revenue tons of priority, nonpriority, and foreign mail, express, and freight placed in transit in scheduled service. Such traffic shall be reported only at the airport from which originally dispatched in the carrier's operations. Fractional tons shall be computed to two places beyond the decimal point.

*Schedule T–5—Passenger Loads by Segment—Local Service Air Carriers*

(a) This schedule shall be filed monthly by each local service air carrier. However, upon approval by the Board, a carrier may submit the information required on its own continuous-feed machine forms.

(b) In column 1 headed "Segment No." insert the number of the segment as designated in the Certificate of Public Convenience and Necessity.

(c) In columns 2 and 3 headed "Pairs of Points" insert the letter codes for each pair of points consecutively served on the designated segment. If the segment has been modified by Board authorization, include also any pairs between which consecutive service is rendered under the modification. Identify by asterisks the terminals which begin and end the linear description of the segment as it appears in the certificate. If the segment terminals have been modified by Board authorization, such terminals shall be identified instead of those designated in the certificate. Where a pair of points is common to more than one segment, the related data shall be repeated for each such segment. Each flight conducted pursuant to exemption authority from a point on one segment named in the certificate to a point on another segment shall be reported as a flight belonging to that segment over which the longer portion of such flight is conducted.

(d) In column 4 headed "Number of One-way Flights Scheduled" enter the number of one-way flights, excluding extra sections, scheduled between the pairs of points indicated in the two previous columns.

(e) In column 5 headed "Revenue Aircraft Miles" enter the revenue aircraft miles actually operated during the month on all revenue flights, including extra sections, between the pairs of points indicated, regardless of (1) whether such flights also operated between other pairs of points on the segment, and (2) whether the flights also served points on other segments.

(f) In column 6 headed "Revenue Passenger—Miles" enter the revenue passenger-miles traveled during the month by all revenue passengers between the pairs of points indicated.

(g) In columns 7 and 8 headed "Average Passenger Loads" enter the average number of passengers carried per flight between each pair of points, for the month and the 12 months ending with the reporting month, respectively.

(h) Below the last pair of points reported for any segment insert the words "Segment Total" and record the appropriate totals for columns 5 through 8. "Segment Totals" for average passenger loads reported in columns 7 and 8 for the month and 12-months to date shall be derived by dividing the total revenue passenger-miles by the total revenue aircraft miles for the segment.

(i) Show all averages to one decimal place.

(j) After each "Segment Total," skip a line before recording the next segment.

*Schedule T–6—Passenger Loads by Flight—Local Service Air Carriers*

(a) This schedule shall be filed monthly by each local service air carrier. However, upon approval by the Board, a carrier may submit the information required on its own continuous-feed machine forms.

(b) In column 1 headed "Flight No." enter the number of each flight operated during the month. If the routing of a particular flight was changed during the month but the number designation remained the same, report each different full routing as a separate flight.

(c) In column 2 headed "No. of Trips Operated" show the number of times the flight actually operated during the month (count extra sections as separate flights).

(d) In columns 3 and 4 under "Points Served" enter the letter codes for each consecutive pair of points on the flight.

(e) In column 5 headed "Average Passenger Loads" enter the average number of revenue passengers carried on the flight during the month between each pair of points listed in the two previous columns.

(f) Below the last pair of points reported for each flight insert the words "Flight Total" and in the column headed "Average Passenger Loads" enter the average number of revenue passengers carried on the flight for the month. These averages shall be derived by dividing (1) the total number of revenue passenger-miles accumulated on the flight by (2) the total number of revenue aircraft miles accumulated on the flight.

(g) Show all averages to one decimal place.

(h) After each "Flight Total," skip a line before recording the next flight. Where the CAB Form is used, continue the report in the second set of columns on the right side of the form.

*Schedule T–7—Domestic Deferred Airfreight*

(a) This schedule shall be filed by each air carrier having currently effective deferred airfreight tariffs on file with the Board.

(b) Under the heading "Deferred Airfreight Totals for Current Month", enter the total number of shipments enplaned; total weight of such shipments in tons; total ton-miles carried; and total revenues earned.

(c) In column 1 under the subheading "Deferred Airfreight Service Provided" list the names of the ten cities originating the largest deferred airfreight tonnage; and, separately, under the subheading "Deferred Airfreight Service Not Provided" list the names of the ten cities originating the largest airfreight tonnage, at which deferred airfreight service is not provided.

(d) In column 2 enter the tons of deferred airfreight enplaned during the current month opposite each city listed in column 1 under the subheading "Deferred Airfreight Service Provided".

(e) In column 3 enter the tons of regular airfreight enplaned during the current month opposite each city listed in column 1 under the subheadings "Deferred Airfreight Service Provided" and "Deferred Airfreight Service Not Provided".

...by each local service air carrier.

## Section 26—General Corporate Elements

*Schedule G–41—Persons Holding More Than 5 per centum of Respondent's Capital Stock or Capital*

(a) This schedule shall be filed by all air carrier groups.

(b) This schedule shall reflect the name, address and number of shares of each class of stock held by all persons holding more than five (5) per centum of the issued and outstanding capital stock or, in cases of unincorporated business enterprises, more than five (5) per centum of the total invested capital of the reporting carrier as of the close of the year.

(c) Column 3, "Held for Own Account" shall reflect by either of the words "yes" or "no", whether or not the interest is held for the account of the person named in column 1. In cases where the answer is "no" the name and address of the persons for whose account the interest is held shall be indicated by footnotes.

*Schedule G–42—Compensation and Expenses of all General Officers and Directors and of Management Personnel Receiving $20,000 or More per Annum for Personal Services*

(a) This schedule shall be filed by all air carrier groups.

(b) The indicated data shall be reported individually for each elective corporate officer, executive and director. The dates to be reported in column 3 shall be the dates each such elective officer, executive and director was first elected to the office held at the date of the report. Reports shall be made in aggregate for all management personnel receiving compensation for personal services of $20,000 or more per annum. The name of each elective officer, executive and director and the number of management personnel receiving $20,000 or more per annum shall be entered in column 1; the annual compensation and reimbursed expenses paid during the calendar year to each officer, executive and director, and the aggregate thereof for all such management personnel, shall be entered in columns 5, 6, and 7 respectively; and the upper and lower limits in the range of compensation and expenses paid to management personnel shall be separately stated in such columns 5, 6, and 7.

(c) Management personnel shall include all general supervisory and administrative personnel not directly responsible for the in-flight operation of aircraft or engaged directly in the performance of maintenance activities. Management personnel, as distinguished from elective officers and directors, for whom report is to be made shall include those who received $20,000 or more compensation for personal services during the previous calendar year and those initially employed during the current calendar year at an annual compensation rate of $20,000 or more.

(d) Indirect compensation in column 6 shall include payments made by persons holding management contracts providing for management of, or services to, the air carrier or its associated companies.

(e) Expenses borne by the air carrier to be reported in column 7, shall include all reimbursements to the persons listed in column 1, regardless of whether for goods or services used by the persons listed or by others; whether in the form of per diem or other allowances, or reimbursement for specific expenditures; and whether for amounts reimbursed directly to the persons listed or, except for standby hotel or other facilities maintained for the air carrier's personnel generally, indirectly through vendors who bill the air carrier directly.

(f) Columns 8 through 11 shall reflect securities of the air carrier owned by officers, directors, or management personnel as at December 31. Column 8 shall reflect the class of capital stock, bonds or other securities of the air carrier owned; columns 9 and 10, respectively, shall reflect the number of shares of stock held in the name of, or for the account of, each general officer, and director, and all management personnel receiving $20,000 or more per annum; and column 11 shall reflect the principal amount of bonds or other securities held in the name of, or for the account of, each general officer and director and all management personnel receiving $20,000 or more per annum for personal services.

*Schedule G–43—Compensation and Expenses of Persons and Firms (Other than Directors, Officers and Employees) Receiving $5,000 or More During the Calendar Year*

(a) This schedule shall be filed by all air carrier groups.

(b) The indicated data shall be reported for each person or firm, other than directors, officers and employees of the air carrier, receiving compensation or expense reimbursements of $5,000 or more during the calendar year.

(c) Compensation and expenses to be reported in this schedule shall include fees, retainers, gifts, commissions, contributions, allowance for expenses or any form of payments amounting in the aggregate to $5,000 or more during the year. In addition to expense reimbursements paid directly to the recipients reflected in column 1, this schedule shall include expenses incurred by the persons or firms named in column 1 which have been paid directly to vendors by the air carrier. Expenses to be reported in this schedule shall encompass payments such as for legal, medical, engineering, advertising, accounting, statistical, educational, or charitable purposes but shall exclude payments for services which both as to their nature and amount may reasonably be regarded as ordinarily connected with the routine physical operation or maintenance of an air carrier such as payments for rent of buildings or property, for heat, light, power, telegraph, and telephone or payments to other carriers for interchange of equipment or settlement of interline traffic balances.

(d) "Persons or firms" shall be construed to mean individuals, partnerships, corporations or other legal entities.

*Schedule G–44—Corporate and Securities Data*

(a) This schedule shall be filed by all air carrier groups.

(b) The information to be reported shall be prepared in accordance with the instructions on the schedule.

## Section 27—National Defense Elements

*Schedule D–1—Services Performed for the Defense Establishment*

(Memorandum of Services Included in Other Schedules)

(a) This schedule shall be filed by all air carrier groups whether or not services performed for the defense establishment are separately reported in accordance with section 21.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Item 1 or item 2 shall be checked, as appropriate, to indicate the status of the operating entity with respect to services performed for the defense establishment.

(d) The volume of services performed for the defense establishment shall be indicated, where item 2 has been checked, by inserting the required information. These data shall not include transportation performed in the air carrier's regularly scheduled transport services. Item 2A, "Gross revenues, fees, and reimbursements," shall include, for services performed for the defense establishment, all gross revenues and fees, together with reimbursements of expenses which are properly chargeable against income under the principles reflected in this system of accounts. Hours and miles flown in transport services shall be reported by aircraft type in columns 1 and 2 of item 2C.

(e) Where defense services are separately reported in accordance with section 21 Introduction to Systems of Reports, the reporting of data for items 2C, 2D, 2E, and 2F will not be required.

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